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1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF NEW YORK

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3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

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7  
8 New York, N.Y.  
9 October 13, 2023  
9:26 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the  
Southern District of New York

16 BY: DANIELLE R. SASSOON

NICOLAS ROOS

17 DANIELLE KUDLA

SAMUEL RAYMOND

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Assistant United States Attorneys

19 COHEN & GRESSER, LLP

20 Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

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(In the robing room)

THE COURT: Okay. I wanted to raise with you, Mr. Cohen, whether the Marshals are in fact getting your client over here early in the morning as I ordered them to do, and whether you're availing yourself of that or not, or whether it's too much or too little.

MR. COHEN: We are, your Honor. We saw him this morning. I think we've seen him every day that he was available because he's not available after weekends because we have the opportunity to see him in the MDC, which we've also been doing.

Now I know this isn't fully within your Honor's control, but we've had serious issues continuing with his medication. He has ADHD. He has other conditions as well, which I haven't burdened the Court with. He really cannot focus without his medication. They give him one dose at 4 in the morning when they wake him up to come to court. It wears off in about three hours. So by the time we see him in the cell block or we see him before your Honor, it's already worn off. They refuse to give him another dose at lunchtime. So he spends the entire court day without medication that is specifically designed to help him focus. And he gets his next dose when he gets back, and last night he got back at 9:00 at night.

THE COURT: He surely does not look unfocused to me in

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1 the courtroom. But obviously I'm not professionally qualified.

2 MR. COHEN: I'm not either, your Honor. I can only go  
3 by what my client tells me, and obviously not knowing before  
4 this, so—

5 THE COURT: Have you been in touch with Mr. Bork at  
6 the Bureau of Prisons as I asked?

7 MR. COHEN: Every day.

8 THE COURT: So what's the story about giving him the  
9 dose? I mean—

10 MR. COHEN: As I understand it, we even offered that  
11 we would bring it and give it to him at lunchtime, if the  
12 Marshals would permit us. One of the—well, two things. As I  
13 understand it, the Bureau of Prisons is not willing to do it at  
14 lunchtime because the dose is considered a narcotic substance  
15 and they don't want one of the Marshals transporting it  
16 or—that's what I understand. But I'm not purporting to speak  
17 for the Bureau of Prisons. I know they have their rules, but  
18 that's what we've heard from them. So it puts us and our  
19 client in just a very difficult position. So your Honor is  
20 asking, so that's why I'm—

21 THE COURT: I'm sorry. I couldn't hear.

22 MR. COHEN: Your Honor is asking, so that's why I'm—

23 THE COURT: Well, yes, and I will either speak  
24 directly to Bork or have someone do it and see whether that  
25 condition can be changed, if indeed that's a condition.

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1           What does the government have?

2           MR. ROOS: So, your Honor, we're aware of the issue.  
3 One of our colleagues, Danielle Kudla, has been dealing with  
4 the MDC directly. Our understanding—my understanding in  
5 speaking with her this morning—I'll also suggest I just go get  
6 her in a moment—is that the MDC is going to put him on an  
7 extended tablet or dose of ADHD, one of those sort of—

8           THE COURT: ADHD is the malady, not the drug.

9           MR. ROOS: Adderall. Sorry. One of those extended  
10 release, but if it's okay with your Honor, I'll go get her,  
11 since she's the one speaking with the MDC.

12          THE COURT: Sure.

13          MR. COHEN: And I should say, your Honor, we are not  
14 faulting the efforts of the prosecution team. We know they've  
15 been trying also. It's just not happening.

16          THE COURT: Look, I know that both sides have been  
17 doing their level best about everything in this matter, and I  
18 have no doubts about that.

19          (Pause)

20          THE COURT: Good morning, Ms. Kudla.

21          MS. KUDLA: Good morning, your Honor.

22          THE COURT: What's going on with the Bureau of Prisons  
23 in relation to the Adderall?

24          MS. KUDLA: Yeah. So I spoke with—I've been in  
25 communication with the BOP frequently to try and find a

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1 solution that allows Mr. Bankman-Fried to get his Adderall  
2 added dose during the day. I spoke to Sophie Papapetru at the  
3 BOP this morning at 8 a.m. She said that the BOP has worked it  
4 all the way up the chain. They have approved an extended dose  
5 release. They've ensured—

6 THE COURT: Extended-release dose.

7 MS. KUDLA: Extended-release dose. They've modified  
8 the schedule of a BOP employee to ensure that they can  
9 administer this dose at 6 a.m. before he arrives at court and  
10 that the dose will be administered to him and the extended  
11 release would go for approximately 12 hours, which would then  
12 provide the Adderall up until about 6 p.m., and that they have  
13 ordered this and they're hoping to have it for him for the  
14 first dose available on Monday. That is the easiest way for  
15 the BOP to comply with how they administer controlled  
16 substances, and their regulations on that, and allow  
17 Mr. Bankman-Fried to ensure that he has his medication during  
18 the trial.

19 THE COURT: Okay. Please report to me on Monday  
20 whether it's happened.

21 MS. KUDLA: I will. I'm going to keep in touch with  
22 her.

23 (Continued)

24 (Pages 1175-1176 SEALED by order of the Court)

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1 MS. KUDLA: Your Honor, one point on the Adderall that  
2 I think would be important for the record. I asked BOP, they  
3 confirmed that they spoke with Mr. Bankman-Fried about the  
4 extended-release dose, and he's the one who consented to it.  
5 They said that they go through the defendant, not the  
6 attorneys, because it's related to medical procedures. So I  
7 wanted the Court just to be aware of that.

8 THE COURT: That last part is not part of the sealed  
9 transcript.

10 MR. COHEN: And I don't know whether this has to be on  
11 the record. It's just a logistical question, your Honor.  
12 Judge Garaufis has asked me to come to chambers by 1:30 today,  
13 so would it be possible for us to break at 12:30 or 12—

14 THE COURT: Yes, yes.

15 Okay. Thank you.

16 (Continued on next page)

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1 (In open court; jury present)

2 THE COURT: The jurors and the defendant are present,  
3 as they have been throughout.

4 Mr. Prince, you're still under oath.

5 Mr. Roos, you may proceed.

6 MR. ROOS: Thank you, your Honor.

7 ZAC PRINCE, resumed.

8 DIRECT EXAMINATION CONTINUED

9 BY MR. ROOS:

10 Q. Mr. Prince, when we left off yesterday, you were describing  
11 the lending aspects of BlockFi's business, and I wanted to ask  
12 you, just picking up there, in the course of your work running  
13 a lending—crypto lender, did you ever deal with cryptocurrency  
14 exchanges?

15 A. Yes, we did.

16 Q. How would you deal with cryptocurrency exchanges?

17 A. I would say in two primary ways. So we had some  
18 cryptocurrency exchanges that were borrowers that would, you  
19 know, borrow assets from BlockFi, and we also used  
20 cryptocurrency exchanges to place trades, effectively trades  
21 that were on behalf of our clients because we had a trading  
22 product that was available to our clients and then we needed to  
23 reproduce those trades on an exchange on behalf of our clients.  
24 So lending to exchanges and also trading on them.

25 Q. Can you explain what that trading product was that BlockFi

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1 had.

2 A. Sure. So essentially on our retail platform, users could  
3 buy and sell cryptocurrencies. BlockFi was not an exchange,  
4 though, we—which basically meant that we weren't matching  
5 buyers and sellers. We were more like a—a broker or an  
6 intermediary, so we would add a little bit of a spread to the  
7 price of the cryptocurrency that someone was looking to buy or  
8 sell. After the user placed the trade in our app, that trade  
9 was done, and then on the back end of that, we would place a  
10 similar trade offsetting the user's trade on a cryptocurrency  
11 exchange.

12 Q. And so just to be clear, what's the difference between  
13 BlockFi as a lender and a cryptocurrency exchange?

14 A. Well, I think there's a few things. So certainly the, you  
15 know, the key function that crypto lenders played in the market  
16 was very different than what exchanges played in the market.  
17 So crypto lenders were, you know, primarily providing a lending  
18 function, providing debt capital to different market  
19 participants, providing yield to, you know, other market  
20 participants who wanted to earn yield, whereas an exchange,  
21 their primary purpose is to match buyers and sellers and, you  
22 know, find accurate clearing prices for the—for the different  
23 currencies that were being traded. There was also a very  
24 important distinction in terms of how assets that were  
25 deposited with either a cryptocurrency lending platform or an



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1 exchange were understood to be treated, based on—

2 MR. COHEN: Objection. Move to strike.

3 THE COURT: Why?

4 MR. COHEN: Your Honor, this is the subject of our  
5 letter to the Court yesterday. Might we be heard at the  
6 sidebar?

7 THE COURT: Yes.

8 (Continued on next page)

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1 (At the sidebar)

2 MR. COHEN: Your Honor, I believe where this answer is  
3 going and where the rest of this is going is an effort to get  
4 an opinion from the witness, who's here as a fact witness,  
5 about how he believes crypto exchanges should operate. He just  
6 said that BlockFi was not a crypto exchange. I don't have a  
7 problem with them asking about BlockFi's practices as to its  
8 own business, which counsel did ask, but now we're getting into  
9 an effort to, to use a legal word, shimmy, to expert—

10 THE COURT: I'm sorry?

11 MR. COHEN: Shimmy.

12 THE COURT: Shimmy?

13 MR. COHEN: Yeah, shimmy over to expert testimony,  
14 where he's not been offered as an expert, no pretrial  
15 disclosures have been made. This was the subject of our letter  
16 yesterday. I didn't think this would be dealt with until the  
17 Court had ruled on it, but here we are. So we would object to  
18 Mr. Prince giving testimony about how he thinks a crypto  
19 exchange should or should not have operated with regard to  
20 customer assets, or otherwise.

21 MR. ROOS: So if I understand the objection correctly,  
22 it's a 701 objection, which is a lay opinion objection, and  
23 there are several reasons—

24 MR. COHEN: Before you—it's also a relevance and 403  
25 objection.

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1 MR. ROOS: Yeah. So I'll take each of them in turn.  
2 The witness, before giving this answer, testified that he runs  
3 a cryptocurrency lender and that as a cryptocurrency lender,  
4 they dealt with numerous—

5 THE COURT: Keep your voice down, please.

6 MR. ROOS: Sorry. They dealt with numerous  
7 cryptocurrency exchanges, including as a customer on those  
8 exchanges, and as a—including as a lender on those exchanges.  
9 He testified yesterday that they deposited similar assets on  
10 the FTX, so he is the equivalent of a customer. And the  
11 question is, is he allowed, based on that foundation, to  
12 testify about what his understanding was of how assets were  
13 going to be treated. And I think there's two for our purposes  
14 here. One is the obvious one, which is that in a trial about  
15 fraud, defrauding customers, lenders, those witnesses should be  
16 permitted to testify about what their understandings were. It  
17 goes to the issues of misappropriation, it goes to the issues  
18 of misrepresentation. Second, it's relevant, helpful for the  
19 jury to understand what the difference is between a  
20 cryptocurrency lender, which is a business of lending out  
21 assets, versus cryptocurrency exchange, which may not. They of  
22 course can cross-examine on those topics.

23 Taking up the 701 objection, the rule for 701 is not  
24 that any type of opinion is impermissible. It's that it has to  
25 be grounded in their perceptions. This is something he

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1 certainly observed because he dealt with it directly. It's not  
2 the subject of scientific or technical testimony. That's in  
3 fact one of the arguments we made in excluding experts is that  
4 you do not need expert testimony on these questions.

5 And I don't see the 403 reason here. It's totally  
6 permissible. There's nothing prejudicial about that.

7 MR. COHEN: Taking up the 403 point, having this  
8 witness speculate about how he thinks an exchange he didn't run  
9 in a field where he didn't run an exchange should or should not  
10 have worked is substantially prejudicial, given the other  
11 witnesses that the government has already called on this topic.

12 THE COURT: Why is it different from asking an  
13 automobile mechanic, what's the difference between a car and a  
14 truck?

15 MR. COHEN: Because that's not really—your Honor,  
16 with respect, that's not really what he's doing. He's asking  
17 an automobile mechanic, how should General Motors be run?

18 THE COURT: But that wasn't the question. The  
19 question was: What's the distinction between an exchange and a  
20 lender?

21 MR. COHEN: Right. And he started to answer that and  
22 I didn't say anything, and then he moved on to where they're  
23 going, which is this back-door expert testimony about how  
24 crypto exchanges should or should not be run.

25 THE COURT: It seems to me that's the subject of

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1 cross.

2 MR. COHEN: Well, your Honor, we would object to it  
3 being introduced in the first place.

4 THE COURT: I understand. But you are entitled on  
5 cross to find out what the basis of his testimony was and to  
6 challenge whether he's in a position to make a general  
7 statement like that.

8 MR. COHEN: Well, your Honor has our position, and I  
9 don't want to belabor it.

10 THE COURT: Yes, I understand. Okay. Let's go.

11 (Continued on next page)

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1 (In open court)

2 THE COURT: The testimony stands, and Mr. Prince, if  
3 you remember where you were, you can complete your answer. And  
4 if not, Mr. Roos will take care of it.

5 A. I remember where I was. I was starting to talk about the  
6 second important distinction between cryptocurrency lenders and  
7 cryptocurrency exchanges, which was in how the market and  
8 customers understood what would happen with assets that they  
9 placed on those platforms.

10 THE COURT: Well, let's start with how you understood.

11 THE WITNESS: Sure.

12 A. So on crypto lending platforms, generally there was a  
13 interest rate that was being earned when you held assets there,  
14 and there was an understanding that the reason you were earning  
15 that interest rate was because the lending platform was going  
16 to take those funds and further lend them on. And there were  
17 generally words that describe this; in BlockFi's terms of  
18 service there were words that very clearly described this; in  
19 our marketing materials there were words that very clearly  
20 described this. We will lend, relend, pledge, rehypothecate,  
21 which is a fancy legal word that means relend assets that  
22 you're given. Contrast that to cryptocurrency exchanges,  
23 where—

24 THE COURT: Let's focus on contrast it to  
25 cryptocurrency exchanges with which you dealt.

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1 THE WITNESS: Sure.

2 A. Contrast that with cryptocurrency exchanges with which I  
3 dealt personally or BlockFi dealt with. The expectation—

4 MR. COHEN: With which he dealt personally, your  
5 Honor.

6 MR. ROOS: Well, he is the CEO of BlockFi, so I think  
7 it's appropriate.

8 MR. COHEN: There's no foundation.

9 THE COURT: I think another question and you might be  
10 there, Mr. Roos, okay?

11 BY MR. ROOS:

12 Q. So before you answer what your understanding of how  
13 cryptocurrency exchanges with which you dealt treated assets,  
14 let me just ask you: As the CEO of BlockFi, were you involved  
15 in decisions about lending and where to deposit assets?

16 A. Yes, absolutely.

17 Q. And did you oversee aspects of BlockFi depositing assets  
18 with cryptocurrency exchanges?

19 A. Yes, I was heavily involved in those decisions.

20 Q. So then based on all of that work at BlockFi, what was your  
21 understanding of how cryptocurrency exchanges dealt with  
22 customer assets? And I'm referring to the exchanges to which  
23 you dealt with directly, not generally the overall market.

24 A. Sure. To put it simply, the assets stayed within the  
25 exchange environment. They weren't re-lent on or taken off of

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1 the exchange to be used by some—by some third party. They  
2 stayed within the—whatever the custodial setup was of the  
3 exchange.

4 Q. What do you mean—I just want to ask about a few terms.  
5 You said the term "custodial setup." What is that?

6 A. It's, you know, whatever—whatever technical or, you know,  
7 security infrastructure the exchange had to hold the assets  
8 that the users had deposited and keep them safe.

9 Q. And you used the word a few moments ago "rehypothecate,"  
10 which I think you said was a fancy legal term. What does  
11 rehypothecate mean?

12 A. Rehypothecation effectively means you're taking collateral  
13 from one party and then using that collateral to make a loan to  
14 another party. And I was using the term to describe, you know,  
15 crypto lending platforms. So crypto lending platforms, BlockFi  
16 was very clearly doing rehypothecation and disclosing that we  
17 were doing rehypothecation.

18 Q. Now when it came to making loans, what was BlockFi's  
19 process in deciding whether to lend to a particular borrower?

20 A. Sure. So we had a couple of, you know—going back to what  
21 I was talking about yesterday, a couple different kind of loan  
22 products. We had our retail-facing loan products and our  
23 institutional-facing loan products. In both cases there were,  
24 you know, steps that borrowers had to go through before they  
25 could take a loan with us. On the retail side, the steps were



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1 basically that they had to go through what was called our  
2 KYC—which stands for "know your customer"—checks; they had to  
3 sign the loan agreement; and they had to transfer the  
4 collateral that they were posting for the loan on to the  
5 BlockFi platform. And on the retail side of our platform, all  
6 borrowers accessed loans at effectively the exact same terms.  
7 On the institutional side of our platform, there was a bit more  
8 customization available to the borrowers, and there was a—an  
9 even more thorough underwriting and diligence process that went  
10 into how we evaluated counterparties that we would essentially  
11 work with as borrowers on the institutional side. So there was  
12 "know your customer"—KYC—checks, those are generally more  
13 thorough for businesses, because you have to look at the  
14 identities of anyone who's an owner of the company greater than  
15 a certain percentage, but we also did diligence around what  
16 type of business, you know, the potential institutional  
17 borrower was, what the financial health of that business was,  
18 and we would, you know, try to underwrite any and all financial  
19 documents that we could get our hands on from the institutional  
20 clients. We also would at times, depending on the nature of  
21 their business, do some security or technology underwriting of  
22 their business. And then our risk management team developed  
23 very robust policies and procedures that, based on our  
24 underwriting, would categorize institutional, potential  
25 institutional clients into different risk tier buckets, and

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1 then those risk tier buckets kind of dictated under what terms  
2 we would be able to lend to that institutional borrower if they  
3 were approved onto the platform; so at what collateral levels,  
4 at what interest rates, etc.

5 Q. Let me just ask you a few follow-ups.

6 You mentioned the word "diligence." What did you mean  
7 by that?

8 A. "Due diligence" is a common term used to describe—I mean,  
9 it's effectively kind of like research to—to make an informed  
10 decision about, you know, whether you should do something, and  
11 sometimes you might use the word "due diligence" to describe  
12 the work you're doing to decide if an investment is one you  
13 should make. In our case, the due diligence we were doing was  
14 to try and make an informed decision around whether we should  
15 be lending to a certain counterparty or not and under what  
16 terms we would be comfortable lending to them.

17 Q. Now did BlockFi ever do due diligence and then decide not  
18 to borrow or not to lend to a customer?

19 A. Yes, absolutely.

20 Q. When you were doing due diligence—and I think you  
21 mentioned financial due diligence—of an institutional  
22 customer, what kinds of financial research were you doing?

23 A. So we, you know, we had—we would ask for effectively any  
24 and all financial information that the potential borrower was  
25 willing to share with us. In some cases the information that

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1 they were comfortable sharing would be relatively limited, so,  
2 for example, a net asset value statement that would just  
3 describe for, you know, for a fund, for example, how many  
4 assets were in the fund. In other cases we received audited  
5 financials, which could be income statements and balance  
6 sheets, and then everything, you know, kind of in between, so  
7 unaudited financials would be in between those two things, but  
8 you know, financial—financial reporting, financial—financial  
9 documents that showed the health of the business.

10 Q. And just on those terms, when you said like a NAV  
11 statement, what were you referring to?

12 A. NAV stands for net asset value. And it's a common—it's a  
13 common document that's produced by asset managers or funds,  
14 where they're saying, you know, here's how many assets we have  
15 in our fund vehicle.

16 Q. And you also mentioned audited financials. What were you  
17 referring to there?

18 A. So, you know, audited financials refers to financials that  
19 are produced and verified by a third-party accounting firm.

20 Q. In 2022, how many employees did BlockFi have doing this  
21 type of research and due diligence?

22 A. I mean, across our, you know, risk management, compliance,  
23 and security teams, depending on, you know, what point in time  
24 in 2022, probably between a hundred and 200 people, and these  
25 were, you know, generally folks that they came from

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1 sophisticated financial industry backgrounds, so, you know,  
2 think folks who worked at large banks doing similar roles or  
3 large asset management companies doing similar roles before  
4 they joined BlockFi.

5 Q. Did BlockFi ever approve loans without doing any due  
6 diligence?

7 A. No.

8 Q. Now in terms of lending, what involvement did you have in  
9 making lending decisions?

10 A. So our lending decision-making process, especially for  
11 institutional loans, became relatively, you know, robust and  
12 sophisticated over time. So there were, you know, risk  
13 management policies and procedures that, you know, that were  
14 governed at the board level. We had a board—we had a board  
15 audit and risk committee that I was, you know, that I was a  
16 part of, as CEO. Beneath that we had an executive investment  
17 and lending committee that I was also a part of, and then we  
18 had, you know, teams of people underneath the executive part of  
19 the org who had certain levels of permissions to, you know,  
20 make new loans that fit within the frameworks that had already  
21 been approved. But I was heavily involved across, you know,  
22 kind of every layer of that matrix of decision-making for  
23 lending.

24 Q. And in terms of the types of loans that BlockFi made, did  
25 BlockFi make different types of loans to institutional

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1 customers?

2 A. Sure. I mean, different types of loans, certainly versus  
3 the retail side of the platform I mentioned yesterday, on the  
4 institutional side of the platform we also would make loans  
5 denominated in cryptocurrency, so you could have a loan that  
6 was denominated in Bitcoin or denominated in Ethereum.  
7 Additionally, we had a, you know, variety of structures in  
8 which we would lend to institutional clients based on our view  
9 of their counterparty risk or creditworthiness. So to give a  
10 simple example, let's take, you know, the best potential  
11 financial firm that we could potentially face. Maybe that's  
12 BlackRock or something. And we would potentially lend them a  
13 certain amount of money without them needing to post collateral  
14 back to us. Contrast that with, you know, a counterparty where  
15 we weren't—they weren't in as strong of a financial position.  
16 We might require them to post collateral. And we would charge  
17 different interest rates, we would have different, you know,  
18 terms in the agreement around how fast margin calls needed to  
19 be met or how fast loans could be called back. So there were a  
20 number of different variables that—that were managed on  
21 individual loans and at the counterparty level.

22 Q. So a few follow-ups. What's collateral, as you're using  
23 it?

24 A. Collateral is—it's something that a borrower would post  
25 as, you know, security for a loan. So like a simple example of

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1 collateral would be when you get a mortgage on a house, the  
2 house is, you know, acting as collateral for the loan and  
3 protection for the bank. In a scenario where you don't pay the  
4 loan, the bank can take the house.

5 So in cryptocurrency land, we were taking collateral  
6 in the form of cryptocurrency. So someone could, you know,  
7 give us one Bitcoin worth, just to use small numbers, \$10,000.  
8 We make them a \$5,000 loan. If they don't pay off the \$5,000  
9 loan, we had the ability to sell their Bitcoin to make sure we  
10 got paid back.

11 Q. You also used the word, or the phrase "margin call." What  
12 were you referring to there?

13 A. So let's stick with that same example. You've got one  
14 Bitcoin, Bitcoin is worth \$10,000. We made a \$5,000 loan, with  
15 that one Bitcoin as collateral. There would be in the loan  
16 agreement preset margin call levels. So if that Bitcoin that  
17 was worth \$10,000 when we started the loan declined in value  
18 and was worth, just for illustrative purposes, let's say  
19 \$7,000, that might be the trigger level at which in the loan  
20 agreement we would issue a margin call. And what the margin  
21 call does is it says to the borrower, you need to either post  
22 additional collateral, pay down some of your loan, or run the  
23 risk of us needing to liquidate some of your collateral in  
24 order to pay off the loan because that—that is us managing our  
25 risk.

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1           And this term "margin call" folks might be familiar  
2 with from just like a traditional stock brokerage account. You  
3 know, if you—if you buy stocks and then you use margin from  
4 the broker, they have a similar type of function, where if the  
5 value of the stocks that you purchase goes down, you could get  
6 a margin call and potentially have your securities liquidated  
7 if you don't take action.

8 Q. Now I think you mentioned terms. Did BlockFi have—why  
9 don't you describe what sort of terms existed for institutional  
10 customer borrowers.

11 A. Sure. I mean, just as a baseline, these were, you know,  
12 very robust loan agreements. I don't know off the top of my  
13 head how many pages our loan agreements were in 2022, but it  
14 was, you know, probably more than 30 or 40 pages. I mean,  
15 these were, you know, robust legal documents.

16 Q. Let me—I'm sorry. I think my question wasn't clear. In  
17 terms of the length of the loan or—

18 A. Oh, okay.

19 Q. Did BlockFi have open-term or closed-term loans?

20 A. Yeah, sorry about that. Understood. The majority of the  
21 loans that we made on the institutional side of our platform  
22 were what we referred to as open term, which meant that either  
23 the lender—BlockFi—or the borrower could elect to end the  
24 loan with relatively short notice—generally, you know, two to  
25 five business days' notice. We did also make some loans that

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1 went out to—on the institutional side. The longest I think we  
2 ever did was a two-year term, which would mean, you know, the  
3 borrower is able to keep the loan out for a full two years  
4 before the lender would have the ability to ask for repayment.  
5 But the vast majority of the loans that we did were on an  
6 open-term structure, which meant that either side could end the  
7 loan with just a few days' notice.

8 Q. Now did BlockFi have any offices in New York?

9 A. We did.

10 Q. Where?

11 A. We—we had three different offices in New York. The first  
12 was at 86 Chambers Street in Tribeca; and then subsequently we  
13 had two different offices in the Financial District at 115  
14 Broadway and 150 Broadway.

15 Q. Where did you work, principally?

16 A. Principally out of those offices.

17 Q. So switching topics, I want to talk about Alameda Research.  
18 Did BlockFi lend money to Alameda Research?

19 A. Yes, we did.

20 Q. Do you know when BlockFi started lending to Alameda?

21 A. I don't know the exact date, but it was either towards the  
22 end of 2020 or first half of 2021.

23 Q. And during that time period how much money was BlockFi  
24 lending out across the company, not just to Alameda?

25 A. High single-digit billions. You know, if we're talking



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1 early 2021, I think the, you know—depending on the day, the  
2 principal outstanding of the overall lending that BlockFi was  
3 doing was probably between 5 and \$10 billion.

4 Q. So to give us a sense, that being the total lending, how  
5 much of that was Alameda getting when it first started out with  
6 BlockFi?

7 A. When it first started, you know, like a lot of our  
8 institutional borrowers, they were relatively small  
9 relative—they were small relative to that overall amount of  
10 lending that we were doing. So, you know, initially probably  
11 10 to 15 million—10 to \$50 million for the first, you know,  
12 three or six months of the relationship.

13 Q. Did there ever come a time when Alameda reached out to  
14 BlockFi about increasing its lending?

15 A. Yes.

16 Q. Do you remember approximately when that was?

17 A. Approximately, you know, Q2 or Q3 of 2021.

18 Q. How did the request first come in?

19 THE COURT: Excuse me. I think everybody knows, but  
20 please, Mr. Prince, tell the jury what you mean by Q2 and Q3.

21 THE WITNESS: Oh, sure. Sorry. The second quarter or  
22 third quarter. So second quarter would be like April, May,  
23 June; third quarter would be July, August, September.

24 Q. Thank you.

25 How did the request from Alameda for more borrowing

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1 first come in?

2 A. Yes. So, you know, initially the relationship was started,  
3 and the request for more borrowing was coming in through our  
4 APAC team, which stands for the Asia-Pacific region. So we had  
5 a team in Singapore, and our MD there was the individual on our  
6 team responsible for managing the Alameda relationship at the  
7 time.

8 THE COURT: And I'm reasonably confident MD doesn't  
9 stand for medical doctor. Could you tell the jury what it  
10 stands for.

11 THE WITNESS: Yeah. MD stands for managing director.  
12 So he was—you know, the managing director was basically like  
13 the head of our Asia-Pacific office and the lead person  
14 responsible for managing relationships with the institutional  
15 clients that we had in that region.

16 BY MR. ROOS:

17 Q. So focusing on the period that you mentioned for us  
18 earlier, the second or third quarter of 2021, was there ever a  
19 time when you spoke to Sam Bankman-Fried?

20 A. Yes. So the, you know, the request had come in for them to  
21 borrow more, and there was a suggestion made at some point  
22 that, you know, it would be a good idea for the CEOs of each of  
23 the respective companies, myself and Sam, to have a call  
24 together, which we—which we set up.

25 Q. What do you remember of the conversation?

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1 A. My memory of the conversation is that it was, you know,  
2 very similar to a lot of calls that I had done like this  
3 before. So, you know, Sam and I each did five- to ten-minute  
4 introductions of our, you know, respective companies, there was  
5 a, you know, discussion around Alameda's desire to borrow more,  
6 and a discussion around, you know, whether there were any other  
7 ideas of things that our—that our firms could potentially do  
8 together.

9 Q. After—sometime after that conversation did BlockFi ever  
10 start lending more money to Alameda?

11 A. We did. So in the, you know, back half of 2021 and first  
12 half of 2022, our lending to Alameda increased significantly.

13 Q. Now did Alameda ever provide audited financials to BlockFi?

14 A. No.

15 Q. In terms of the financial information you got, what kind of  
16 financial information did Alameda provide to BlockFi, if any?

17 A. I think the—the primary thing that they provided that, you  
18 know, our team reviewed regularly was unaudited balance sheet  
19 statements, which we received on I think a regular quarterly  
20 basis, roughly, you know, once a quarter. They also provided  
21 information at one point around cryptocurrency wallets. There  
22 was an exercise our risk management team did to verify, you  
23 know, cryptocurrency wallet information that they had given us.  
24 And then there were numerous conversations that were had  
25 between our risk management team and representatives of

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1 Alameda.

2 Q. As part of these loans, to what extent did BlockFi get  
3 collateral?

4 A. I think for—for every loan, if not almost every loan that  
5 BlockFi made to Alameda, that we had collateralization  
6 requirements, so there would be some—some form of collateral  
7 posted. The most common and largest type of collateral that  
8 they posted was FTT, but they also at times posted other  
9 cryptocurrencies as collateral.

10 Q. Can you describe how, if at all, the amount of lending  
11 BlockFi was doing to Alameda changed from, say, May 2021 to May  
12 2022.

13 A. Yeah. It increased substantially by a factor of, you know,  
14 roughly 10X or a little more. So in May of '21, we were  
15 probably lending them, like I said earlier, around 50 million;  
16 maybe a little more or less than 50 million. By May of 2022,  
17 the lending had increased to, you know, a principal outstanding  
18 balance of a little over a billion. I think it was around  
19 1.1 billion.

20 Q. What, if anything, did Alameda do to make BlockFi feel  
21 confident lending a billion dollars?

22 A. Well, the, you know, the information that they provided to  
23 our team, financial statements and other information that we  
24 relied on in evaluating their risk as a counterparty; they also  
25 posted significant amounts of collateral and, you know,

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1 throughout that time period, adhered to all the terms in the  
2 lending agreements like, you know, like we would expect a good  
3 borrower to do. They made their interest payments on time; if  
4 there were ever margin calls, they met them.

5 Q. Now moving ahead to May 2022, were there any changes to the  
6 strength of the cryptocurrency market during that period?

7 A. Yeah. In May and—May and June of 2022, the cryptocurrency  
8 market was experiencing downward volatility. The prices of  
9 major cryptocurrencies were declining. There were, you know, a  
10 few notable failures or blowups of cryptocurrency firms.  
11 Initially there was a—a firm called—or a cryptocurrency  
12 called Luna. The Terra Luna ecosystem blew up. Subsequently a  
13 hedge fund—

14 THE COURT: What do you mean by Terra Luna ecosystem,  
15 please?

16 THE WITNESS: Yeah. So Luna was a—was a  
17 cryptocurrency. And think of like Bitcoin or Ethereum. Call  
18 it a competitor to Bitcoin or Ethereum. Terra was a—it was  
19 like a—what we call a stablecoin in cryptocurrency land. It's  
20 another cryptocurrency trying to mimic the value of a dollar.  
21 And each of these had their own kind of blockchain protocols  
22 and they were connected to each other. One of the mechanisms  
23 that was used to try and keep the coin that was supposed to  
24 mimic a dollar at a value of a dollar was the other  
25 cryptocurrency Luna. And this—that whole concept came

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1 crashing down. The dollar coin became not worth a dollar, the  
2 Luna coin, you know, declined in price dramatically as well.

3 BY MR. ROOS:

4 Q. And what effect, if any, did these changes to the  
5 cryptocurrency market in May 2022 have on BlockFi?

6 A. So Three—Three Arrows Capital was a—a kind of trading  
7 firm or hedge fund that was also a borrower at BlockFi. They  
8 defaulted on loans that they had with us in late May or early  
9 June of 2022. So we had a very large collateral liquidation  
10 process with them and ultimately, at the end of that process,  
11 were sitting on—were sitting on some losses.

12 I'm not sure if I'm supposed to go into June of 2022.

13 Q. Let me stop you there. I'll ask another question.

14 So after that, were there any additional changes in  
15 the cryptocurrency market that affected BlockFi's lending?

16 A. Sure. Well, the—the, you know, bigger than Three Arrows,  
17 what had a big impact on us at that time is that two of the  
18 other top cryptocurrency lending platforms, Voyager and  
19 Celsius, paused their platforms, and ultimately both of them  
20 filed for bankruptcy. But they, you know, they paused the  
21 ability of consumers to be able to withdraw money from—from  
22 their platform. So you can imagine what, you know, what effect  
23 that had on—on BlockFi if you have a couple of crypto lending  
24 platforms shutting—shutting their doors. You know, we were  
25 experiencing the highest level of withdrawals that we had—that

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1 we had ever experienced in our—in our history as a company.

2 So consumer confidence in cryptocurrency lending platforms and,  
3 you know, the broader cryptocurrency market was not in a great  
4 spot at that time.

5 Q. So in light of those withdrawals on BlockFi, how, if at  
6 all, did that affect the lending BlockFi was doing?

7 A. We—so, you know, if you think about our model, when folks  
8 are holding funds on our platform to earn interest, we're then  
9 lending that out to borrowers over here. If the folks that  
10 were holding the funds go to withdraw their assets, we have to  
11 close out the loans with the—with the firms that were  
12 borrowing. And so, you know, in June of 2022, I believe we  
13 called back, you know, essentially every single open-term loan  
14 that we had on our—on our platforms. This was, you know,  
15 billions of dollars in withdrawals from consumers and then  
16 loans that were called back so that we could meet those  
17 withdrawals.

18 Q. Did that include loans to Alameda?

19 A. It did.

20 Q. And when did you start calling back loans from Alameda?

21 A. I don't know the exact date, but it would have been last  
22 week of May or first two weeks of June of 2022.

23 Q. And how was it that BlockFi was able to call these loans  
24 back on such a short basis?

25 A. Because the structure of the loans was that they were, you

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1 know, open-term loans, so we had the right as the lender to  
2 terminate the loan with, you know, a few days' notice.

3 Q. Did Alameda repay the loans?

4 A. Yes, in full.

5 Q. Now around this time did BlockFi enter into an agreement to  
6 potentially sell itself to FTX?

7 A. Yes. In the—in the back half of June—

8 MR. COHEN: Objection. Could we have clarity by which  
9 FTX entity we're talking about.

10 THE COURT: Sure.

11 MR. ROOS: Sure.

12 Q. Which FTX entity are we talking about?

13 A. It was the FTX.US entity, which I'm not a hundred percent  
14 certain about this, but I think it—I think the FTX.US entity  
15 had a corporate name of like WRS. I could have that wrong.  
16 But it was—FTX.US was the, you know, counterparty that we did  
17 that transaction with.

18 Q. I think you were in the middle of giving an answer about  
19 this agreement to sell. So I'll pick back up there.

20 How did it come about that you were potentially going  
21 to sell to one of the FTX entities?

22 A. Sure. So, you know, we—given the market volatility and  
23 the action—the activity that we were seeing on our platform  
24 and a, you know, hyperawareness that for a business like ours,  
25 consumer sentiment and confidence was—was, you know, really



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1 important for the health of our platform, we decided that if we  
2 could bring additional capital into the business to help with  
3 that consumer confidence, that would be a valuable thing. And  
4 so we ran a, you know, a process talking to potential  
5 investors, and ultimately a deal that was presented to us by  
6 FTX was, you know, the deal that BlockFi determined was best to  
7 proceed with. And the deal that we did had two parts. There  
8 was a \$400 million credit facility that was junior to BlockFi  
9 client funds in the capital stack and then an option for—

10 THE COURT: Would you explain what you meant by that.

11 THE WITNESS: Sure. So junior in the capital stack  
12 would mean they get paid back after. So in a scenario where  
13 something, you know, bad happened to BlockFi and it had to file  
14 for bankruptcy, if BlockFi owes \$10 to people but there's only  
15 \$5 there, and the clients had \$5 but then we had this \$5 loan,  
16 the \$5 would go to the clients, not to the loan. That's what  
17 being junior means. It's the order of repayment within a  
18 capital structure.

19 THE COURT: So the \$400 million credit facility, in  
20 simple terms, was a proposed loan from some FTX entity to  
21 BlockFi, which would be subordinate to BlockFi customer funds,  
22 yes?

23 THE WITNESS: Yes.

24 THE COURT: Okay.

25 MR. ROOS: Thank you.

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1 BY MR. ROOS:

2 Q. And then what was the other aspect?

3 A. The other aspect of the transaction was a option to acquire  
4 BlockFi for a price of between 15 to \$240 million, based on  
5 certain performance targets, and the way that part of the  
6 agreement was structured was FTX had the ability to fully  
7 acquire BlockFi starting, you know—the first time they could  
8 fully acquire BlockFi was one year after we entered into the  
9 transaction. So the transaction was finalized in early July  
10 and FTX had the option to acquire BlockFi for the first time in  
11 July of 2023. And the orientation that, you know, BlockFi had,  
12 based on our understanding of the deal, is that, you know, that  
13 was going to be exercised at the, you know, at the first  
14 window.

15 Q. So just to be clear about a few things, was the option ever  
16 exercised?

17 A. No.

18 Q. So did FTX end up ever acquiring BlockFi?

19 A. No.

20 Q. Okay. Now during the period we're talking about, the  
21 summer of 2022, you had, however, reached this agreement with  
22 FTX, right?

23 A. Yes.

24 Q. Okay. So did that agreement with FTX influence the lending  
25 decisions BlockFi was making with respect to Alameda?

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1 A. I wouldn't say that there was a—I wouldn't say that there  
2 was like a quantitative, you know, direct association between  
3 the two things, but it was another qualitative data point that,  
4 you know, our team had around the, you know, capital and  
5 actions of the FTX enterprise as a—as a market participant.  
6 So—

7 Q. Let me just ask you a follow-up question about that.

8 To be clear, were you extending loans to Alameda you  
9 otherwise wouldn't have because of the sale, because of the  
10 deal with FTX?

11 A. No.

12 MR. COHEN: Objection. Leading.

13 THE COURT: Sustained.

14 Q. What, if at all, did the potential deal with FTX do with  
15 respect to your decision to extend loans to Alameda you might  
16 not otherwise?

17 MR. COHEN: Same objection.

18 THE COURT: Overruled.

19 A. There weren't—there wasn't anything that we, you know,  
20 changed fundamentally in terms of our risk management policies  
21 and procedures or the way that we were classifying Alameda as a  
22 borrower and the types of loans that we would make to them post  
23 that transaction versus before.

24 Q. Okay. Did there come a time in 2022 when BlockFi began  
25 making new loans to Alameda?

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1 A. Yes. So, you know, after this transaction completed and  
2 our platform kind of stabilized and the withdrawals, you know,  
3 returned to kind of normal levels, we did start lending, we did  
4 start making new loans to Alameda.

5 Q. And what new loans—in what months were new loans made in  
6 2022?

7 A. I believe it started maybe at the end of August—or  
8 sorry—maybe at the end of July but more likely probably in the  
9 August or September time frame is when we started making the  
10 new loans to Alameda.

11 Q. And to what extent did loans continue into 2022?

12 A. They continued, you know, up through early November of  
13 2022.

14 Q. How much in new loans did BlockFi lend Alameda during this  
15 period of approximately July to November 2022?

16 A. Roughly 800—between roughly 800 or 850 million worth of  
17 new loans.

18 Q. With the changes to the cryptocurrency market, did BlockFi  
19 get any new financial information from Alameda?

20 A. Yes, we received, you know, updated quarterly balance  
21 sheets.

22 Q. And from your review of those updated quarterly balance  
23 sheets, how did Alameda's financial position appear?

24 A. It appeared strong. I mean, in the balance sheets that we  
25 had, they, you know, they had assets that were greater than

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1 liabilities of many billions of—of dollars.

2 Q. Let's take a look at a balance sheet.

3 MR. ROOS: Can we please—well, this is in evidence so  
4 we show everyone, Government Exhibit 419.

5 Q. And do you recognize this, Mr. Prince?

6 A. Yes, this is the Q2 balance sheet that Alameda provided to  
7 BlockFi.

8 Q. And when you say Q2, what period does that refer to?

9 A. Yes. So Q2 refers to April, May, June, and generally we  
10 would receive quarterly statements from counterparties, you  
11 know, a few weeks after the end of the quarter, so we would get  
12 the Q2 balance sheet from a counterparty, you know, sometime in  
13 early July, for example.

14 Q. Okay. So generally speaking—let's start with the asset  
15 portion of this balance sheet. Generally speaking, what does  
16 BlockFi look for when it examines a potential borrower's  
17 assets?

18 A. Looking at the size and composition of the—of the asset  
19 base.

20 Q. So when you say composition, what are you referring to?

21 A. What are the—what are the actual, you know, assets, is it  
22 cash, is it cryptocurrency, is it other things.

23 Q. Are you familiar with the term "liquid asset"?

24 A. Yes.

25 Q. And are you familiar with the term "illiquid asset"?

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1 A. Yes.

2 Q. What's the difference?

3 A. A liquid asset is one that you can, you know—there's an  
4 active market for that you can sell, and an illiquid asset  
5 would be something that there's not an active market for and  
6 it's—and it's harder to sell.

7 Q. And how, if at all, does the makeup of liquid and illiquid  
8 assets matter to BlockFi?

9 A. I would say it's definitely something that—that our team  
10 would take into account in its evaluation of—of the assets  
11 that a counterparty had.

12 Q. Why is that?

13 A. To—to help understand, you know, to—to have as fulsome of  
14 an understanding as—as we could have about how liquid a  
15 portfolio was and therefore a counterparty's ability to either  
16 post collateral or pay down a loan. These types of things were  
17 informed by how many assets they had and what those assets  
18 were.

19 Q. Now let's look at the bottom of the balance sheet. Where  
20 it says Liabilities, what did you understand that to refer to?

21 A. So liabilities are—are generally things that companies,  
22 you know, are going to need to pay for, so loans are  
23 liabilities, tax bills are liabilities, so liabilities are  
24 generally things that a business, you know, needs to—needs to  
25 pay.

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1 Q. And then do you see the bolded words Retained Earnings?

2 A. Yes.

3 Q. What did you understand that to relate to?

4 A. This is, you know, kind of like a—kind of like a net asset  
5 value, but it's, you know, assets minus liabilities, what's  
6 the, you know, what's the equity of the entity after accounting  
7 for all the liabilities that it has against the assets.

8 MR. ROOS: If we can zoom out.

9 Q. And upon receiving this, what was your view as to whether  
10 Alameda remained a good candidate for lending?

11 A. That they were still a good candidate for lending and were  
12 well capitalized.

13 Q. Why is that?

14 A. If you look at the retained earnings line, they have 6  
15 point—can't tell if it's a 6 or an 8, but north of 6 billion,  
16 north of 6 billion in, you know, retained earnings or north of  
17 6 billion of assets even after accounting for all of their  
18 liabilities.

19 MR. ROOS: And let's zoom in on the Assets portion.

20 Q. What about the Assets portion made you think that Alameda  
21 remained a good candidate for lending?

22 A. I mean, largely that the quantum of assets, you know, over  
23 14—over 14 billion of—of assets with, you know, a significant  
24 portion of that, I mean, over 130 million of just cash and cash  
25 equivalents. I mean, this was a—based on this balance sheet,

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1 my view was that this was a well-capitalized entity.

2 Q. Let's look at the Liabilities section.

3 Do you see where it says Loans?

4 A. Yes.

5 Q. What did you understand those loans to be?

6 A. We—I understood those loans to be loans from BlockFi and  
7 other crypto lending firms.

8 Q. And what was that understanding based on?

9 A. Based on conversations that—that BlockFi had had with  
10 representatives of Alameda, that, you know, for—for a period  
11 of time we were told that we were, you know, their—their  
12 smallest lender and that our—

13 MR. COHEN: Objection.

14 THE WITNESS: Oh, sorry.

15 THE COURT: Yeah, let's hold it right there and ask  
16 another question, Mr. Roos.

17 MR. ROOS: Okay.

18 BY MR. ROOS:

19 Q. You said things you were told. Did you ever speak to the  
20 defendant about this?

21 A. Other than that—other than that conversation that, you  
22 know, Sam and I were both on in mid-2021, I don't know that Sam  
23 and I ever had direct conversations about that Loans line item  
24 or what comprised the rest of it.

25 Q. Okay. And what about individuals at Alameda?



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1 A. Absolutely. So I spoke to Caroline Ellison about it; there  
2 was a gentleman at Alameda named Richard Chang, who, you know,  
3 had very frequent conversations with members of the BlockFi  
4 team.

5 MR. ROOS: Now we can take this whole balance sheet  
6 down.

7 And can we publish Government Exhibit 418, which is in  
8 evidence, and zoom in on the top.

9 Q. Do you recognize this as another balance sheet from  
10 Alameda?

11 A. Yes, I do. It's the Q3 2022 Alameda balance sheet that we  
12 received.

13 (Continued on next page)  
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1 Q. So what period is Q3?

2 A. July, August, September.

3 Q. So typically when you get a balance sheet for a quarter,  
4 when in the quarter do you get that balance sheet?

5 A. Usually, shortly after the quarter ends.

6 Q. So it reflects the three months that are in that quarter?

7 A. That's right. It's like the end -- at the end of the third  
8 quarter this was -- this was the balance sheet. This was the  
9 financial condition --

10 THE COURT: Just to be clear, a balance sheet gives  
11 the financial condition of the entity as of a specific date in  
12 time, in this case June 30, 2022, as opposed to a  
13 profit-and-loss statement which gives profit and loss for a  
14 longer period. Isn't that correct?

15 THE WITNESS: Yes.

16 THE COURT: Thank you.

17 Q. And so for the 2022 Q3 balance sheet what approximate date  
18 is that for?

19 A. It's the third quarter. So July -- end of September. I  
20 would think it would be as of 9/30 or whatever the last day of  
21 September is.

22 Q. Let's look at the liability section. Do you see where it  
23 says loans?

24 A. Yes.

25 Q. What were you told by people at Alameda regarding what

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1 these loans were?

2 A. Same as for Q2, that they were loans from other crypto  
3 lenders.

4 MR. ROOS: We can take this down.

5 Q. In addition to looking at the balance sheets for Q2 and Q3,  
6 did BlockFi undertake any additional analysis of Alameda's  
7 financials?

8 A. As I said earlier, there were -- I know there were  
9 exercises where the BlockFi team received information about  
10 specific cryptocurrency wallets from Alameda. There were  
11 conversations we had with them where information was shared  
12 more about the composition of some of the specific line items.  
13 I think those are the --

14 Q. Earlier in your testimony you talked about BlockFi's risk  
15 team and due diligence team. To what extent did they evaluate  
16 these numbers on the balance sheet?

17 A. They evaluated them fulsome. This was probably the primary  
18 thing we were relying on -- our team was relying on and  
19 evaluating to understand the financial health of Alameda as a  
20 counterparty.

21 Q. Let me ask you about a term. What is stress testing?

22 A. Stress testing is taking some piece of data and then  
23 saying, you know, if a certain scenario were to happen what  
24 impact on this data would that scenario have. So in a  
25 financial context our team would run stress tests on all kinds

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1 of things. We would stress test what would happen to our loan  
2 portfolio if Bitcoin declined by a certain amount at a certain  
3 period of time. There was a time where we did stress tests  
4 specifically on Alameda's balance sheet for certain scenarios.

5 MR. ROOS: Can we please now show the witness what has  
6 been marked for identification as Government Exhibit 417.

7 Q. Mr. Prince, what type of document are we looking at?

8 A. This is a credit memo. So credit memos were frequently  
9 produced by our risk management team. They were basically  
10 analyses of certain scenarios, sometimes with recommendations,  
11 but the scenario could be, there is a new potential borrower,  
12 we have just completed our underwriting, here is what that  
13 looks like, or the scenario could be, the quarterly review of a  
14 certain borrower or it could be a market-related review that  
15 they conducted, and then these credit memos would be sent  
16 around so that they were socialized and understood by key  
17 decision makers and executives within the company, myself  
18 included.

19 Q. Let's go to the last page of this. Just yes or no, does  
20 this depict a stress-testing scenario like the one you  
21 testified about?

22 A. Yes.

23 Q. Were credit memos and stress testing something you just did  
24 for Alameda Research or was it a regular part of BlockFi's  
25 business operations?

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Prince - Direct

1 A. Regular part of our business operations.

2 Q. Were credit memos like this made and maintained as part of  
3 those business operations?

4 A. Yes.

5 MR. ROOS: The government offers 417.

6 MR. COHEN: No objection.

7 THE COURT: Received.

8 (Government Exhibit 417 received in evidence)

9 MR. ROOS: We can publish this to the jury.

10 Why don't we go back to the first page.

11 Q. Just at a high level, now that the jury can see it, what  
12 kind of document is this?

13 A. Credit memo.

14 Q. This is the credit memo you were just testifying about?

15 A. Yes.

16 MR. ROOS: Why don't we look at the last page of this  
17 document.

18 Q. Mr. Prince, can you describe what we are looking at here.

19 A. Sure. This is in the -- in the second column, underneath  
20 the green where it says consolidated in green, these are the  
21 exact same numbers as the Q3 balance sheet from Alameda. So  
22 it's the Q3 balance sheet from Alameda. Then in the subsequent  
23 columns, the subsequent three columns, our risk team was  
24 applying a stress scenario. On the far right column there are  
25 some notes about what they were stressing and what their

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1 understanding was of the composition of certain line items on  
2 the balance sheet.

3 What they were stressing here was FTT, which was that  
4 primary collateral type that we received from Alameda, Serum,  
5 and Solana. They were stressing those coins going down in  
6 price.

7 So the first column in blue is a 35 percent down  
8 stress test, the next column in yellow is a 50 percent down  
9 stress test, and then the final column is stressed a hundred  
10 percent, which is saying, if FTT just went to zero, what then  
11 happens to the balance sheet of Alameda.

12 Q. Just to orient us, the different colors refer to different  
13 scenarios of stressing cryptocurrencies, is that right?

14 A. That's right. Then you can see, when that color appears  
15 further down in the column, it's because the numbers changed  
16 based on the stress scenario from the original balance sheet,  
17 which is in the first column.

18 Q. When you say stress, I'll just use an example from what you  
19 said. When you say stressing FTT, what does that mean?

20 A. Running a scenario where the price of FTT declined by a  
21 certain amount.

22 THE COURT: Let's see if we can get this in plainer  
23 terms for the sake of understanding.

24 The collateral you had for these loans that you had  
25 made to Alameda was cryptocurrency that Alameda basically

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1 pledged, not in a technical sense, but basically pledged to  
2 secure the repayment of the money you lent them, right?

3 THE WITNESS: Yes.

4 THE COURT: And what you were looking at is what  
5 happens to the collateral that secures repayment of our loan if  
6 the quoted market value of the cryptocurrency that Alameda held  
7 drops, right?

8 THE WITNESS: If I may, your Honor, you said we were  
9 looking at what happens to the collateral. What we were  
10 looking at was what happens to the overall Alameda balance  
11 sheet if the collateral has specific price declines.

12 THE COURT: Fair point.

13 It's as if you had a car loan and the bank had  
14 extended a car loan and, all of a sudden -- of course the car  
15 is security for repayment of the loan. They can come and  
16 repossess it, right?

17 THE WITNESS: Yes.

18 THE COURT: And, all of a sudden, the bottom falls out  
19 of the market for used cars for some reason. You are looking  
20 at that kind of situation. It's a what-if analysis. Yes?

21 THE WITNESS: Yes.

22 THE COURT: Thank you.

23 MR. ROOS: Thank you, your Honor.

24 Q. Looking at the conclusions from these various scenarios,  
25 let's look at the worst-case scenario, the stress on 100

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1 percent. What color is that in?

2 A. That's in red.

3 Q. And what was BlockFi's conclusion about Alameda's balance  
4 sheet in that worst-case scenario?

5 A. Our conclusion was basically that they would still have --  
6 even in a scenario where FTT went to zero and Serum went to  
7 zero, they would still have positive equity to the tune of 638  
8 million and change. They would still be solvent. They would  
9 still have much more assets than liability, 600 million, 638  
10 million more assets than liability.

11 Q. We may need to zoom out for this, but under that scenario  
12 what assets would Alameda still have?

13 A. Well, if you look at the top of that row, the line items  
14 that still have numbers next to them, just calling out one of  
15 the biggest ones, crypto held, which is the second line  
16 underneath current assets, crypto held, which was represented  
17 to us to be 50 percent stablecoins, 50 percent BTC and ETH.  
18 They would still have 4.1 billion of assets there. And then  
19 all the other assets that have corresponding numbers next to  
20 them in that column are the assets that they would still have.

21 Q. So in calculating then in this stress 100 percent scenario,  
22 the retained earnings, what was your understanding the loan  
23 number was?

24 A. That number there is taking 8.316 billion of total assets  
25 minus 7.677 of total liabilities.



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1 Q. Now, if the loan number was higher, how would have affected  
2 that scenario?

3 A. It depends on how much higher. If it were -- it depends on  
4 how much higher.

5 Q. Let's say if it was \$5 billion higher.

6 A. If it were \$5 billion higher, then this would show negative  
7 equity in quite a few scenarios, which would be very different  
8 than positive equity, and it would certainly have an impact on  
9 our lending decisions.

10 Q. So if Alameda had additional liabilities that were not on  
11 its balance sheet, would that have affected BlockFi's lending  
12 decisions?

13 A. If they were of a material size, absolutely.

14 Q. What do you mean by that?

15 A. I mean just, if they were -- call it like material  
16 percentage, let's say like greater than 5 percent of the  
17 overall size of the balance sheet here, then surely it would  
18 have -- it would absolutely have an impact.

19 Q. If the loan number was double where it was, so say 14  
20 billion --

21 MR. COHEN: Objection.

22 THE COURT: I have not heard the question yet.

23 MR. COHEN: Sorry, your Honor.

24 Q. How, if at all, would a loan number that was double have  
25 affected your lending decision?

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1 MR. COHEN: Objection.

2 THE COURT: Overruled.

3 A. We probably wouldn't have lent to them at all because I  
4 think even without doing a stress test, if they had twice as  
5 many loans as what's represented here, they might be insolvent.

6 Q. Now, when BlockFi made loans to Alameda in July through  
7 November, was it aware of any borrowing Alameda was doing from  
8 FTX?

9 A. No.

10 Q. Had you known that Alameda was borrowing from FTX, would  
11 that have affected your lending decision?

12 MR. COHEN: Objection.

13 THE COURT: What's the objection?

14 MR. COHEN: Calls for speculation.

15 THE COURT: Rephrase the question.

16 Q. You just testified that you were unaware of any borrowing  
17 from FTX.

18 THE COURT: By Alameda. Is that the question?

19 Q. By Alameda. Is that right?

20 A. Correct.

21 Q. Had borrowing by Alameda from FTX been listed on the  
22 balance sheet, how would that have affected you?

23 THE COURT: If at all.

24 Q. If at all.

25 A. Again, it depends on the quantum, but I think that -- I

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1 think there would have been a lot of questions about why that  
2 was happening and under what structure it was happening. And  
3 depending on the answers to those questions, it could have  
4 potentially made us completely unwilling to lend to Alameda.

5 Q. At the time BlockFi made these loans from July through  
6 November of 2022, was it aware of any loans that Alameda had  
7 made to Sam Bankman-Fried or other FTX or Alameda executives?

8 MR. COHEN: Same objection.

9 Q. It's a yes-or-no question.

10 THE COURT: Overruled.

11 A. No.

12 Q. How, if at all, would have loans to FTX or Alameda  
13 executives affected your lending decision?

14 A. Similar answer. It would depend on the quantum of the  
15 loans and it would depend on Alameda's responses to the  
16 questions that our team surely would have had. But BlockFi's  
17 business went through a lot of things where we were under a  
18 microscope, whether it was a regulatory microscope or  
19 otherwise, so we were very familiar with rules and extra  
20 attention that existed around any type of dealings between a  
21 company and the company's insiders and how that's not a  
22 generally accepted activity. I think that scenario that you  
23 proposed would have given us a lot of pause at a much smaller  
24 dollar number because it's just a really hard thing to explain  
25 a good reason for that to happen.

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1 Q. How, if at all, would have Alameda's assets being less  
2 liquid affected BlockFi's lending position?

3 A. Hard to say. It depends on the specific asset and the  
4 quantum, but it was something that we took into account in  
5 making the decisions of whether or not to lend and then under  
6 what terms. We wanted to see -- we could be comfortable  
7 lending to someone that had a lot of illiquid assets if we were  
8 comfortable that the size of lending we were doing to them was  
9 at a level where they would be able to continue posting more  
10 collateral and we were confident in that asset long term.

11 The converse could also be true if it was a very, very  
12 illiquid asset that we weren't confident we could sell under  
13 any scenario. It really just depends on the details.

14 Q. At any time did BlockFi know that Alameda -- withdrawn.

15 Did you ever know that Alameda was using, if at all,  
16 customer money?

17 A. No, absolutely not.

18 Q. How, if at all, would that information have affected your  
19 lending decision?

20 A. I think we wouldn't have worked with them because that's  
21 not something that's appropriate.

22 Q. Changing topics, was BlockFi a customer of FTX?

23 A. Yes. BlockFi used the FTX platform to store some of the  
24 assets that were posted to us as collateral by Alameda.  
25 Specifically, a portion of the FTT that we received as

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Prince - Direct

1 collateral for loans that we were making to Alameda we held on  
2 FTX. We also placed funds on FTX that we used for trading for  
3 that client trading scenario that I talked about earlier. FTX  
4 was an exchange where we -- FTX was an exchange where we traded  
5 cryptocurrencies.

6 Q. Just to break down your answer, can you explain to us how  
7 it was that you had Alameda's collateral on FTX? What does  
8 that mean?

9 A. So using small numbers here, BlockFi is making a loan to  
10 Alameda. We are lending them one dollar. They are giving us  
11 \$2 worth of FTT. There were periods of time, including in the  
12 second half of 2022, where our storage method for some of those  
13 to FTT that Alameda had given us as collateral was to hold it  
14 in the BlockFi account on the FTX exchange.

15 Q. I just want to be clear about how collateral works in these  
16 contexts.

17 A. Alameda would send the collateral to us. The way that  
18 works is, BlockFi provides a cryptocurrency wallet address to  
19 the Alameda team. The Alameda team would then send the tokens  
20 to that address. Once they were there, the BlockFi team would  
21 move a portion of them to the FTX exchange where BlockFi had an  
22 account and there were different wallet addresses associated  
23 with that account. So you have two transactions that show up  
24 on the Blockchain, one with the coins coming from Alameda to  
25 BlockFi and then another with a portion of the coins going from

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1 BlockFi to FTX.

2 Q. So BlockFi would actually get the collateral?

3 A. Yes.

4 Q. The second part of your answer related to putting customer  
5 funds on FTX. What were you referring to?

6 A. We would place cash or stablecoins in various  
7 cryptocurrencies on FTX so that we had currency there to be  
8 able to place the trades that we needed to make effectively on  
9 behalf of our customers for our trading product.

10 Q. How much money did BlockFi have on FTX on behalf of its  
11 customers in the period of June through November 2022,  
12 approximately?

13 A. Approximately \$350 million worth of assets in our FTX  
14 account.

15 Q. When BlockFi deposited money on FTX on behalf of its  
16 customers, what were its expectations about how those funds  
17 would be used by FTX, if at all?

18 A. That they would only be used for the purposes of affecting  
19 trades that BlockFi made on the FTX exchange, not that they  
20 would ever be rehypothecated or anything like that. They would  
21 just stay at the exchange and be available for us to trade.

22 Q. Jumping ahead to 2022, at that time approximately how much  
23 in loans did BlockFi have out to Alameda?

24 A. I'm sorry. What period of time, did you say?

25 Q. Focusing on November 2022.

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1 A. November 2022, at the very beginning of November of 2022,  
2 our loans to Alameda were between 800 and 850 million in total  
3 value. At the time of FTX's bankruptcy filing, in  
4 mid-November, about 150 million had been paid back, so it was  
5 around 650 million.

6 Q. We will get to that.

7 I want to ask you, though, starting sort of the  
8 beginning of November of 2022, what sort of collateral did  
9 BlockFi have for its outstanding loans?

10 A. Primarily FTT, but we also had some Solana.

11 Q. Now, did there come a time in November 2022, and this can  
12 be yes or no, when the value of FTT began to drop?

13 A. Yes.

14 Q. When that started happening what, if anything, did BlockFi  
15 do?

16 A. Same thing we always do. So we, in accordance with the  
17 loan agreement, based on certain price levels, issued margin  
18 calls, and initially it was a couple of margin calls that were  
19 met. Subsequently, we also sought to recall the loans in the  
20 open-term loans.

21 Q. Just to be clear, did Alameda repay some of its loans?

22 A. Some, yes.

23 Q. Approximately how much?

24 A. Roughly 150 million was repaid.

25 Q. Did Alameda repay all of its loans in November 2022?

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Prince - Direct

1 A. No. There were still approximately \$650 million worth of  
2 loans that were outstanding.

3 Q. Did Alameda ever post or offer to post additional  
4 collateral?

5 A. Yes.

6 Q. And what did Alameda offer to post?

7 A. I believe it was more FTT. I believe they in fact, in  
8 November, did once, or maybe twice, through the process of  
9 receiving margin calls, post additional FTT. In the second  
10 week of November, they also posted Robinhood, shares of  
11 Robinhood stock and shares of Grayscale trust shares.

12 It's kind of like a cryptocurrency vehicle that you  
13 can trade in a brokerage account, in a traditional brokerage  
14 account.

15 Q. You mentioned that Alameda and FTX declared bankruptcy at  
16 some point. At that time how much did BlockFi have on the FTX  
17 exchange on behalf of its customers?

18 A. I mean the total amount that we have is roughly 350  
19 million. It's hard to say exactly. I don't know off the top  
20 of my head exactly what amount of that was customer funds  
21 versus collateral that they had posted.

22 Q. I just want to be clear about this. What was the total  
23 amount of money that BlockFi had either loaned to Alameda or  
24 had on the FTX exchange that was not returned?

25 A. A little over a billion dollars worth.



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Prince - Direct

1 Q. What was the breakdown of, on the FTX exchange versus had  
2 been lent to Alameda?

3 A. About 650 million lent to Alameda, about 350 million on the  
4 FTX exchange.

5 Q. Yesterday, right before we broke, you testified that after  
6 FTX and Alameda declared bankruptcy, BlockFi declared  
7 bankruptcy. Can you explain why BlockFi had to declare  
8 bankruptcy?

9 A. Sure. I mean, once it became clear that repayment of the  
10 Alameda loans and being able to access the funds that we had on  
11 FTX was impaired, once it became clear that that was not going  
12 to be possible, our view of the financial health of BlockFi's  
13 business was such that we needed to declare bankruptcy.

14 MR. ROOS: No further questions.

15 THE COURT: All right. We will take 15 minutes.

16 For your information, ladies and gentlemen, we are  
17 going to break at 12:30 today.

18 (Recess)

19 THE COURT: OK, folks. Let's go. Get the witness,  
20 please.

21 Defendant and the jurors are all present, as has been  
22 true throughout.

23 Cross-examination, Mr. Cohen.

24 MR. COHEN: Thank you, your Honor.

25 CROSS-EXAMINATION

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Prince - Cross

1 BY MR. COHEN:

2 Q. Good morning, Mr. Prince.

3 A. Good morning.

4 Q. Please answer this question yes or no, if you can. Do you  
5 recall earlier today, in responses to questions from counsel,  
6 you gave some testimony about your views of how crypto  
7 exchanges operate?

8 A. Yes.

9 Q. Now, is it fair to say, sir, that you have never been the  
10 CEO of a crypto exchange?

11 A. Correct, I have never been the CEO of a crypto exchange.

12 Q. You have never run a crypto exchange?

13 A. No. We had a trading product at BlockFi, but we were not  
14 an exchange.

15 Q. During your time running BlockFi, about how many crypto  
16 exchanges were there in the marketplace?

17 A. I don't know an exact number, but probably between 50 and a  
18 hundred that mattered. But total number of crypto exchanges,  
19 it could have been much higher than that.

20 Q. So 50 to a hundred that mattered, correct?

21 A. Directionally speaking.

22 Q. In giving the testimony you did about crypto exchanges, I  
23 take it you didn't review the inner workings of those 50 to a  
24 hundred crypto exchanges?

25 A. Certainly not of every single one of them.

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Prince - Cross

1 Q. You didn't review their customer agreements?

2 A. Just to be clear, for exchanges that we worked with,  
3 reviews were done.

4 Q. Did you review the customer agreements for FTX?

5 A. Our team certainly did. I learned about them through our  
6 team.

7 Q. Let's break this down. By customer agreements you mean the  
8 terms of service?

9 A. Yes. And any other agreements that were entered into  
10 between BlockFi and exchanges.

11 Q. Fair enough. So any agreement that governed the commercial  
12 relationship between BlockFi and FTX, correct?

13 MR. ROOS: Objection to the characterization of the  
14 relationship.

15 THE COURT: Sustained.

16 Q. And you said that your team reviewed the FTX terms of  
17 service, is that correct?

18 A. Yes. I mean, lawyers or compliance people on our team,  
19 either internal counsel or external counsel, would have  
20 reviewed terms of service, full review of terms of service for  
21 any platform that we worked with.

22 Q. What were the names of the lawyers who did this review?

23 THE COURT: If lawyers did the review and if you know.

24 A. I couldn't say exactly which lawyer for which exchange  
25 specifically, but our general counsel is Jonathan Mayers. He

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Prince - Cross

1 had three deputy general counsels, and then they had teams  
2 beneath them.

3 Q. Without running down the whole teams, what were the names.  
4 Of the deputies?

5 A. Alice Lu, Ross Kirschner, and Usec Rho.

6 Q. Were they based in New York with you, Mr. Prince?

7 A. Yes.

8 Q. Now, yesterday you testified about a product that BlockFi  
9 had called an interest-only account. Do you recall that, sir?

10 A. Yes. The BlockFi interest account, which we frequently  
11 referred to as a BIA.

12 Q. Briefly, can you just explain how that account worked  
13 again.

14 A. Sure. So the BlockFi interest account had published rates  
15 on our website, which were interest rates or yields that folks  
16 who held funds in the BlockFi interest account could earn. The  
17 interest that they earned was paid out to their account on a  
18 monthly basis. And the way that BlockFi generated the interest  
19 that we were paying to folks who held funds in those accounts  
20 was by lending the assets that were placed into the BlockFi  
21 interest accounts.

22 Q. When customers wanted to join that or have an account like  
23 that, they would enter into a customer agreement with BlockFi?

24 A. Yes.

25 Q. And that agreement would define the terms of the

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Prince - Cross

1 relationship?

2 A. That's correct.

3 Q. Now, I believe you testified, sir, that BlockFi began to  
4 make loans to Alameda in around the middle of 2021, is that  
5 correct?

6 A. I believe what I said was that I think the first loans that  
7 BlockFi made to Alameda occurred sometime towards the tail end  
8 of 2020 or the first half of 2021, sometime in that window.

9 Q. And you described the process that your team went through.  
10 I think you called it a due diligence process, is that correct?

11 A. Yeah. We would refer to it as our underwriting process or  
12 counterparty onboarding process, and that process included us  
13 doing due diligence on the counterparty.

14 Q. That would involve reviewing factors that BlockFi thought  
15 were important to the decision making, correct?

16 A. Yes.

17 MR. COHEN: Can we call up Defendant's 816 for  
18 identification for the witness only.

19 Q. I think you also testified earlier today that BlockFi had a  
20 practice of creating credit memos. You recall that, sir?

21 A. Yes.

22 Q. Could you take a moment and look through Defendant's  
23 Exhibit 816, please. Just tell me when you are done.

24 A. I'm done.

25 Q. This is a credit memo dated August 13, 2021, correct?

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Prince - Cross

1 A. Correct.

2 Q. It relates to Alameda Research as a counterparty?

3 A. Correct.

4 Q. And this was the sort of memo that the members of your  
5 credit team would prepare for you and the other members of the  
6 executive committee to consider in coming to your loan-making  
7 decisions, correct?

8 A. Correct.

9 Q. And this was prepared by your credit team, correct?

10 A. Yes. The credit team was a group that was within the risk  
11 management team. If I say risk management team, I'm also  
12 talking about the credit team, which was a subgroup --

13 Q. Got it. And it was prepared at or near the time of the  
14 conversation with your credit team, correct?

15 THE COURT: I'm sorry. At or near the time of what  
16 conversation?

17 MR. COHEN: Let me withdraw. I'll get to the  
18 conversation.

19 Q. This credit memo was prepared in the course of BlockFi's  
20 regularly conducted business activity, correct?

21 A. Yes.

22 Q. And it was BlockFi's regular practice to make such memos,  
23 correct?

24 A. Yes.

25 MR. COHEN: We offer DX-816, your Honor.

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Prince - Cross

1 MR. ROOS: No objection, provided the info about  
2 Alameda and provided by Alameda is not for its truth.

3 THE COURT: Do you have a problem with that?

4 MR. COHEN: That's fine, your Honor.

5 THE COURT: It is received save that the information  
6 attributed to Alameda is not something you can consider for the  
7 truth of what's said.

8 (Defendant's Exhibit 816 received in evidence)

9 MR. COHEN: Can we publish it to the jury, your Honor?

10 THE COURT: Yes.

11 Q. Mr. Prince, this memo was prepared at a time when you and  
12 your team were considering whether to increase the amount of  
13 loans to Alameda, correct?

14 A. Yes. I mean, underneath the request, the first bullet is  
15 that the sales team, that refers to our institutional sales  
16 team, they are requesting capacity to borrow more in general,  
17 potentially up to 1 billion gross over collateralized by  
18 FTT/SOL/SRM.

19 Q. You had not made a decision yet, and you and your team were  
20 considering these factors, correct?

21 A. We had already -- at this point in time, if you look at the  
22 next bullet, we had already started lending to Alameda, but,  
23 yes, there was -- we were having discussions and going through  
24 a decision-making process for whether or not to increase that  
25 lending and, if we were to increase it, at what terms.

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Prince - Cross

1 Q. If you can take a look, sir, at the next page.

2 MR. COHEN: And call out, Brian, the stress scenarios  
3 methodology box.

4 Q. What does that refer to, Mr. Prince? What does stress  
5 scenarios methodology refer to?

6 A. It's our risk team describing the way they think about  
7 certain stress scenarios for whatever they are writing the  
8 credit memo about. So depending on what the credit memo is  
9 about, they would -- they could have different stress  
10 scenarios, if certain things were -- if certain things were to  
11 occur that would make the loan riskier, what would those be,  
12 and then they would try to analyze scenarios.

13 Q. Just going through different scenarios, correct?

14 A. Sure. Based on what they thought would create potential  
15 risk for the loans.

16 Q. You can go down to the fourth bullet point that's titled FTT  
17 liquidity. You see that, sir?

18 A. I see it.

19 Q. Is it fair to say that in 2021, August 2021, one of the  
20 forms of collateral that Alameda would be posting for the loan  
21 was FTT?

22 A. Yes.

23 Q. And to remind everyone, what was FTT?

24 A. FTT was the FTX exchange token. So my understanding and  
25 our team's understanding of the FTT token was that it was -- I



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Prince - Cross

1 think somewhere else on this doc that we have up here it talks  
2 it being an equity-like instrument. And the reason that the  
3 team would have said that is that the way the FTT token -- the  
4 way we understood the FTT token to work was that a portion of  
5 the profits made, that the FTX exchange made, would be used to  
6 buy FTT tokens on the open market, and that model of exchanged  
7 profits buying the token was something that was not unfamiliar  
8 in the cryptocurrency market more broadly at the time because  
9 of a different exchange. Binance had a token, BNB, which was  
10 designed directionally the same way, and BNB had been one of  
11 the best performing -- if we go back to this point in time,  
12 2021, BNB I think had performed better than even Bitcoin over  
13 the last one-year period.

14 Q. So it was a fairly common structure in the market to have  
15 these tokens.

16 A. I don't know that I would necessarily describe it as fairly  
17 common because out of a hundred exchanges, I don't think more  
18 than necessarily half would have this setup. But it wasn't --  
19 we weren't unfamiliar with the concept because there was  
20 already an example of another token that had this type of model  
21 and done well.

22 Q. Got it. The other example being BNB, the Binance token?

23 A. Yes.

24 Q. Is it fair to say that at this time, in August of 2021, you  
25 considered FTT to be one of the top 10 percent of

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Prince - Cross

1 cryptocurrency that could be offered on a platform or lent  
2 against?

3 A. Just so I understand, when you say considered to be top 10  
4 percent, what are you -- top 10 percent, like by market cap?

5 Q. Top 10 percent in value.

6 A. Top 10 percent in market value?

7 Q. Security.

8 THE COURT: Which is the question you were trying to  
9 have him answer?

10 MR. COHEN: Let me try again, your Honor. Thank you.

11 Q. From the point of view of a lender evaluating collateral,  
12 is it fair to say that, in 2021, August, you viewed FTT as one  
13 of the top 10 percent of cryptocurrencies as a form of  
14 collateral?

15 A. I wouldn't say with certainty that I viewed it as within  
16 the top 10 percent, but it was reputable.

17 MR. COHEN: Could we pull up, please, 3571-001 and go  
18 to page 5.

19 MR. ROOS: Objection. Foundation.

20 MR. COHEN: Don't put it up yet. I'm sorry.

21 THE COURT: What was the number you said, counsel?

22 MR. COHEN: Your Honor, it's --

23 THE COURT: Tell me the number again.

24 MR. COHEN: It's 3571-001 at page 5.

25 THE COURT: Do you have a question to ask?

NADMBAN2

Prince - Cross

1 MR. COHEN: I do, your Honor.

2 Q. Mr. Prince, do you recall being interviewed by prosecutors  
3 in this case?

4 A. Yes.

5 Q. Do you recall being interviewed in July of 2023, this past  
6 July?

7 A. Yes.

8 Q. Do you recall being asked your view of FTT as a form of  
9 collateral?

10 A. Yes. I know that was something that was discussed.

11 Q. And saying you considered it in the top 10 percent?

12 A. The way I remember referring to top 10 and FTT in that  
13 conversation and others that I've had is that I think there was  
14 a point in time where FTT was a top 10 cryptocurrency by market  
15 cap. And maybe I would have said top 10 percent, but I wasn't  
16 trying to be -- I am not trying to be -- I am not trying to say  
17 it's not a legitimate currency, but my memory was that I said  
18 at some point FTT was even in the top 10 cryptocurrencies by  
19 market cap.

20 Q. Fair enough.

21 THE COURT: Would you tell the jury what market cap  
22 is?

23 THE WITNESS: Sure. So market cap is like total  
24 value. It's a term that comes from the stock market.

25 If Amazon is a company that's worth \$800 billion, that

NADMBAN2

Prince - Cross

1 means their enterprise value, their market cap is 800 billion.  
2 In the cryptocurrency market there was a ranking of the  
3 different cryptocurrencies by market cap, and the way you  
4 calculated market cap was by taking the price of the coin that  
5 it was trading at times the total number of coins in existence,  
6 and then you have the market cap. And there were numerous  
7 websites where you could go and see a ranking of the different  
8 cryptocurrencies by market cap. Generally, Bitcoin is number  
9 one, it's got the largest market cap, and then the subsequent  
10 positions move around a bit.

11 Q. And FTT, in your view, had a high market cap?

12 A. High -- it was one of the top cryptocurrencies for sure.

13 Q. Now, let's go back to DX-816. Continuing on the next page,  
14 the next page, the same -- go back, Brian. I'm sorry. The  
15 stress scenarios methodology.

16 If you look at the last bullet point, it says  
17 wrong-way risk. You see that, Mr. Prince?

18 A. Yes.

19 Q. Can you explain to the jury what wrong-way risk meant in  
20 connection with the lending?

21 A. Sure. So wrong-way risk -- I'll try and use an example  
22 from the real world to make it simple. Wrong-way risk is a  
23 term that is used in risk management parlance to describe  
24 getting a type of collateral from a borrower whose performance  
25 has an impact on the type of collateral.

NADMBAN2

Prince - Cross

1 And the easiest example to think of for this is like  
2 making a loan to Apple, the company Apple, and taking their  
3 stock as collateral. That transaction would present wrong-way  
4 risk because you're lending to Apple and you are taking their  
5 stock as collateral. A type of collateral that Apple could  
6 post that would not present wrong-way risk would be if they  
7 posted U.S. Government bonds. If Apple gave you treasuries as  
8 collateral for a loan, that would not present wrong-way risk  
9 because how Apple does isn't going to have an impact on how  
10 U.S. treasuries do in a super correlated nature.

11 What the risk team is highlighting here is that they  
12 believed that there was wrong-way risk present here. It says  
13 Alameda enters into a default and all lenders start liquidating  
14 FTT collateral. We think it's possible that FTT could drop 60  
15 to 75 percent in a day.

16 Q. Sort of in laymen's terms, the wrong-way risk was that FTT  
17 was correlated with FTX. If something happened to FTX, it  
18 could affect FTT.

19 A. Correct.

20 Q. That was something you and your team were considering in  
21 August of 2021.

22 A. Yes.

23 MR. COHEN: Can we go back to the first page.

24 Q. Under request, if you could give us a translation of how  
25 much more the sales team -- how much more is being considered

NADMBAN2

Prince - Cross

1 for borrowing by Alameda.

2 A. Sure. It's saying that the sales team is requesting, which  
3 would have been -- which would mean that they were getting that  
4 request from the client. Internally the sales team is bringing  
5 a request that's coming from the client to borrow potentially  
6 up to 1 billion gross, which means like total gross lending of  
7 1 billion. The current exposure, which is the second bullet,  
8 is 114 million gross.

9 At the time that this credit memo was produced, we had  
10 lent \$114 million gross to Alameda and the composition of that  
11 is the third bullet. We had lent them \$50 million worth of  
12 USDC, \$43 million worth of Ethereum, and \$20 million worth of  
13 Bitcoin. And against that, next bullet, they had posted 179  
14 million of collateral, 135 million of that collateral was FTT,  
15 35 million of the collateral was SOL, 5 million of USD, and 2.7  
16 million of USDT.

17 Q. Got it. Thank you, sir.

18 What that meant is, they were looking to borrow up to  
19 a billion dollars, correct?

20 A. Yes. They wanted to increase the borrow.

21 Q. They had already borrowed 114 million.

22 A. Correct.

23 Q. And against that 114 million Alameda had put up collateral  
24 of 179 million, correct?

25 A. Correct.

NADMBAN2

Prince - Cross

1 Q. Did you ever hear the term overcollateralized?

2 A. Yes.

3 Q. What does that mean?

4 A. It means that the amount of collateral that's posted is  
5 larger than the loan amount.

6 Q. And here your credit team and you were considering that  
7 this \$114 million loan was overcollateralized.

8 A. Yes.

9 Q. And \$135 million of that was being collateralized by the  
10 FTT.

11 A. That's correct.

12 MR. COHEN: Now, if we could continue on in this  
13 document and proceed to the third page in.

14 Q. Now, if you see at the bottom there is something called  
15 consolidated balance sheet, 2021.

16 MR. COHEN: Can we pull up the whole document. It  
17 continues onto the next page, Brian.

18 Q. Now, Mr. Prince, you mentioned earlier that one of the  
19 items that you and your team would consider would be balance  
20 sheets, correct?

21 A. Yes.

22 Q. And sometimes companies had audited financial statements,  
23 correct?

24 A. Yes. We frequently received audited financials from -- I  
25 mentioned earlier we worked with traditional trading firms and

NADMBAN2

Prince - Cross

1 then crypto-specific trading firms. The traditional firms  
2 often had audited balance sheets. Crypto firms, it was much  
3 less common to have audited balance sheets because of issues  
4 with getting audits as a cryptocurrency firm.

5 Q. Just to be clear, some of the balance sheets you received  
6 from crypto firms were what is called unaudited balance sheets.

7 A. I would say the majority of balance sheets that we received  
8 from cryptocurrency firms were unaudited.

9 Q. It was up to you and your team to decide whether or not you  
10 wanted to consider that information, correct?

11 A. We always considered the information, and we always relied  
12 on the information that we were given by counterparties as  
13 being truthful and accurate.

14 Q. Let me ask a better question. If you decided we only want  
15 to consider making loans to companies who have audited  
16 financial statements, you could have done that, correct?

17 MR. ROOS: Objection.

18 THE COURT: Overruled. It's obvious. Answer, please.

19 A. Yeah. If within the risk policies and procedures of  
20 BlockFi, if a decision was made that we would only lend to  
21 companies -- it is possible that a decision could have been  
22 made that we would only lend to companies with audited  
23 financials, sure.

24 Q. Now, continuing on with this balance sheet that we are  
25 looking at, this is about one page long, one and a half pages?



NADMBAN2

Prince - Cross

1 A. Yes.

2 Q. And what was on the table was whether or not to increase  
3 the borrowing amount from 114 million to as high as a billion  
4 dollars, correct?

5 A. That was one of the bullets on the first page.

6 Q. And if you see here, sir, at the bottom of the second page  
7 there is an entry called retained earnings.

8 Do you see that, at the very bottom?

9 A. Yes.

10 Q. And in your world is retained earnings synonymous with net  
11 asset value?

12 A. For me personally, as a nonaccountant and I guess a  
13 bigger-picture thinker in most scenarios, I think of them as  
14 roughly the same, but I'm also aware that they are not  
15 precisely the same if I were an accountant.

16 Q. I'm not holding you to a technical definition. I want to  
17 get your understanding.

18 Going back to the first page, Mr. Prince, there is a  
19 heading called assets.

20 Do you see that, sir?

21 A. Yes.

22 Q. And underneath the heading current asset it lists cash and  
23 cash equivalents. I think that is easy enough to understand.  
24 Then it lists crypto held, about \$3.2 billion of crypto held.

25 What was your understanding of that?

NADMBAN2

Prince - Cross

1 A. I'm not sure, off the top of my head, what my understanding  
2 was of it at the point in time that we received this balance  
3 sheet, but there is a four there, so I would imagine there is a  
4 footnote somewhere.

5 (Continued on next page)

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NAD1BAN3

Prince - Cross

1 MR. COHEN: Why don't we put up the 4, Brian.

2 A. Yeah, so it says "an immaterial amount of locked tokens  
3 from various yield farming projects are held in this balances,  
4 determined to be too small to break into a line item."

5 Q. So is it fair to say that was a summary of cryptocurrencies  
6 held by Alameda with the caveat about footnote 4, which you  
7 pointed out?

8 A. Yeah, I mean, they were representing it as crypto, you  
9 know, the crypto—crypto held.

10 Q. Right. It wasn't broken out for you on this balance sheet.

11 A. Well, there were some cryptocurrencies that were broken  
12 out, but I think—the assumption is, looking at this, that any  
13 cryptocurrency that was not broken out on a subsequent line  
14 item would have been included in the Crypto Held line item.

15 Q. And if you'd wanted that broken out, you could have  
16 certainly asked for it.

17 A. Yeah, and there were times, you know, where our team did  
18 ask and received information or, you know, representations  
19 about what constituted certain line items.

20 Q. Okay. And continuing under Assets, at the bottom there's  
21 something called Unlocked FTT. Can you explain to us what that  
22 was.

23 A. So there's a—there's a concept with cryptocurrencies where  
24 they can either be locked or unlocked. So think of it—an  
25 example from the traditional world would be, let's say you go

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Prince - Cross

1 work at a company and that company, as part of the compensation  
2 that they offer to employees, grants some shares or, you know,  
3 equity in the company. Most of the time when you receive that  
4 equity in the company, it has a vesting agreement or some type  
5 of structure where you get, you know, a certain amount of the  
6 equity after you've worked at the company for a year, a certain  
7 amount after two years, etc. This locked and unlocked concept  
8 in crypto was—was similar to that. So, you know, protocols  
9 would give their employees tokens or, you know, use tokens to  
10 pay for services that the cryptocurrency protocol was using,  
11 and sometimes those tokens that they were giving out to  
12 employees or others would be locked, which basically meant that  
13 the receiver of them was not going to be able to access or sell  
14 them until the end of that locked period of time. So what  
15 unlocked would mean here is that these were tokens that were  
16 not subject to any restrictions and that they were free to be  
17 sold or otherwise utilized.

18 Q. Okay. Thank you, Mr. Prince.

19 MR. COHEN: If we could bring up the pages of the  
20 balance sheet side by side.

21 THE COURT: I'm sorry. Let's clarify that. Back up,  
22 please.

23 MR. COHEN: Yeah.

24 THE COURT: And how would that relate to the Crypto  
25 Held line with the \$3 billion figure on it?

NAD1BAN3

Prince - Cross

1 THE WITNESS: Well—well, my—so these—where it  
2 says—

3 THE COURT: If you know.

4 THE WITNESS: My understanding, you know, just based  
5 on what we've looked at right now, is that the line items below  
6 Crypto Held are calling out specific cryptocurrencies, and  
7 they're reflecting unlocked amounts. Crypto Held is a line  
8 item for any other cryptocurrency that's an asset of Alameda  
9 that is not listed with its own line, and then the footnote 4  
10 was making a representation that basically the vast majority,  
11 almost the entirety of this Crypto Held line item was unlocked  
12 tokens, because if I'm remembering our reading of—of  
13 bullet—of footnote 4, it said there's a de minimis amount of  
14 locked tokens in this Crypto Held line.

15 BY MR. COHEN:

16 Q. And just to sort of maybe simplify it, unlocked FTT could  
17 be traded, locked FTT was still not able to be traded, correct?

18 A. Correct, that's my understanding.

19 Q. And if you could look at the next page under Long-Term  
20 Assets, the balance sheet highlights in line 2, Locked FTT.

21 A. Correct.

22 MR. COHEN: Okay. Now if we could go to the next  
23 page, please.

24 The one after that.

25 Okay. Just that one, Brian. If you could pull up

NAD1BAN3

Prince - Cross

1 "Summary of underwriting challenges - for exception approval."

2 Let's just go to that line.

3 BY MR. COHEN:

4 Q. What did that line mean, sir, "Summary of underwriting  
5 challenges - for exception approval"?

6 A. Sure. So what that meant was that for the folks writing  
7 this report, they did not—they were not able to approve,  
8 under—at their level of authority, within our risk management  
9 policies and procedures, they were not able to approve this  
10 transaction. It also probably meant that there wasn't a clear  
11 box that the transaction fit into in our risk framework at the  
12 time, so there would be this exception process, and what the  
13 exception process basically meant is that the executive team  
14 and oftentimes also the board risk committee would look at  
15 certain scenarios and they would look at the scenario and say,  
16 okay, is this something we should do or not do, and to the  
17 extent that a scenario that came up for exception approval  
18 happened multiple times, sometimes decisions would be made to  
19 adjust our overarching risk framework to increase certain types  
20 of activity or decrease certain types of activity.

21 Q. Okay. So when an exception approval was included, that  
22 meant the credit team doing the sort of on-the-ground work  
23 couldn't say "yea" or "nay" to the loan, correct?

24 A. That's one of the reasons, yes.

25 Q. And it had to go up the chain of command.

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Prince - Cross

1 A. Correct.

2 Q. Ultimately to the executive committee, I believe you said?

3 A. Well, ultimately exceptions would go all the way up to  
4 the—we had a committee that was called BARC. It stood for  
5 Board Audit and Risk Committee. And that was a board level  
6 committee.

7 Q. And you were a member of that committee.

8 A. I think—I was certainly always at the meetings. Depending  
9 on the time frame, I think there were times where I was an  
10 official member and times where I was just like an attending  
11 observer, but—

12 Q. Fair enough. As CEO—

13 A. I was always there and I always had a voice.

14 Q. As CEO of BlockFi, did you have input into the decision  
15 about whether to increase the credit line, the credit limit  
16 here?

17 A. Absolutely.

18 Q. Okay. Now you see in the next bullet points the credit  
19 team has laid out what it viewed as the underwriting  
20 challenges, correct?

21 A. Yes.

22 Q. And I think we've talked about these so I'll just hit them  
23 briefly.

24 1 is that there were unaudited financials.

25 2, that—well, I'll come back to 2.

NAD1BAN3

Prince - Cross

1           3, that there was wrong way risk, which you've already  
2 talked about.

3           And 4, we have—well, let me ask, 4, volatile  
4 collateral, can you explain that, Mr. Prince.

5 A. Sure. Volatile collateral, I mean, volatility is a term  
6 used to refer to how much the price of a—of an asset, you  
7 know, moves. So an asset that is volatile, you know, goes up  
8 or down in price in larger percentages than an asset that is,  
9 you know, less volatile.

10 Q. And that's what we've been talking about with respect to  
11 FTT, correct?

12 A. Yeah. I mean, in general, cryptocurrency—I would say the  
13 cryptocurrency asset class as a whole was a—is a volatile  
14 asset class.

15 Q. And there's a fifth bullet point on the next page. I  
16 wanted to make sure I showed you the whole thing, but I don't  
17 think we have to spend a lot of time on this. This is illiquid  
18 tokens. Sir, this is what we've just been talking about,  
19 correct?

20 A. Yeah. Just to—just to read it for folks, "FTT/SRM  
21 collateral is illiquid relative to major coins. FTT ADV  
22 roughly 60 million on each of Binance and FTX." That means FTT  
23 is the coin, ADV is the average daily volume, so what they're  
24 saying here is that FTT is trading roughly 60 million per day  
25 on Binance and FTX, while trading can support only 25 million



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Prince - Cross

1 per day. And the reason they would say that is, you know, the  
2 certain asset trades a certain amount on an exchange per day,  
3 and you're just one buyer or seller of that asset. You never  
4 want to assume that you can have all of that volume for  
5 yourself. You're only going to be able to get a portion of it.  
6 Q. Okay.

7 THE COURT: Going back for a minute to volatility,  
8 Mr. Prince, the concept of volatility includes not only the  
9 magnitude of fluctuation of price but also the magnitude of  
10 fluctuation of price per unit, time; in other words, it implies  
11 it goes up or down quickly.

12 THE WITNESS: Yes, I believe that's—that's exactly  
13 correct, your Honor. It's price, price and, you know, the time  
14 component of how fast is it moving.

15 THE COURT: Okay. Let's go on.

16 BY MR. COHEN:

17 Q. To his Honor's point, how fast it could move over a given  
18 period of time, correct?

19 A. Yeah.

20 Q. Okay. Okay. Going back to the prior page, pick up the one  
21 bullet we missed, it says, over credit limit. Do you see that,  
22 sir, under summary of underwriting challenges?

23 MR. COHEN: Could we call that up, Brian.

24 Q. Just, can you briefly explain to us what that refers to.

25 A. Sure. So, you know, a credit limit—a credit limit was

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Prince - Cross

1 a—an amount of exposure that within our risk framework BlockFi  
2 was willing to take to a certain category, you know, certain  
3 classification of counterparty at a—at a point in time. So,  
4 you know, if a counterparty was Tier 1—just using super simple  
5 examples, if they were Tier 1, we might have a credit exposure  
6 of a hundred million; if they were Tier 3, which was a  
7 lower-credit-quality tier, we would have a lower credit  
8 exposure maximum of maybe 10 million. Not saying those are the  
9 actual numbers, but—

10 Q. No, I understand, sir. And here, for the loan under  
11 consideration, what was the tier you were looking at?

12 A. So what it says here is, "Our current limit for crypto  
13 native funds Tier 1C is 45 million. A proxy for crypto native  
14 exchanges is 100 million limit. [Note: Underwriting hasn't  
15 done a credit assessment of FTX yet, as FTX is not a borrower  
16 themselves.]"

17 One thing I would just point out here, if I may, about  
18 how this exposure works, the amount of exposure, you know—when  
19 BlockFi is talking about exposure, the amount of exposure it  
20 has could be an amount of exposure where we don't have any  
21 collateral, and in that case it's really easy to calculate. If  
22 we lent someone \$50 million and they didn't give us any  
23 collateral, our exposure is \$50 million. The calculation of  
24 how much exposure we had when someone was posting collateral  
25 was a bit more complex of an exercise. So if we lent someone

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Prince - Cross

1 \$50 million and they gave us a hundred million dollars of  
2 collateral, you could say, oh, well, our exposure is 0. The  
3 loan is overcollateralized. But our risk team, you know—a lot  
4 of what you're seeing here is that they would do analyses to  
5 try and estimate some level of exposure even in scenarios where  
6 the loans were overcollateralized, and so—

7 Q. And again, this was all part of summarizing for you and the  
8 board the reasons to consider going over making an exception  
9 and going higher in the amount loaned, correct?

10 A. Yeah. I mean, I think they're—they're raising this and  
11 saying this is something that could be—that should be  
12 considered for exception approval.

13 MR. COHEN: All right. We can pull that one down.

14 Let's take a look now at Defendant's Exhibit 817 for  
15 identification, just for the witness.

16 MR. ROOS: No objection, provided it has the same  
17 limitation.

18 THE COURT: Are you offering it?

19 MR. COHEN: I would like to.

20 THE COURT: It's received on the same basis as the  
21 last one—in other words, not for the truth of anything  
22 attributed to anyone other than BlockFi.

23 MR. COHEN: Can we publish it to the jury, your Honor.

24 THE COURT: Yes.

25 (Defendant's Exhibit 817 received in evidence)

NAD1BAN3

Prince - Cross

1 BY MR. COHEN:

2 Q. All right. Now, Mr. Prince, this is a credit memo from,  
3 about two weeks later, on August 31, 2021. Do you see that,  
4 sir?

5 A. Yes.

6 MR. COHEN: Okay. We can drop that, Brian.

7 Q. And can you translate for us what the request is that is  
8 being asked of BlockFi.

9 A. Sure. So this request is for a 10K so 10,000 Bitcoin loan,  
10 which at the time was worth roughly 470 million, with  
11 110 percent FTT/SRM collateral with a 100 percent margin call  
12 level, no liquidation trigger, open term.

13 Next bullet, our current exposure was that we had lent  
14 them 267 million of gross, so the—here's why I brought up the  
15 exposure. You start to see a little bit of a nuance. Our  
16 gross exposure was 267 million but 0 net, which means the  
17 267 million of lending was overcollateralized. That  
18 267 million was 200 million of USDC, 45 million of ETH, and  
19 21 million of BTC.

20 I can keep going if you want.

21 Q. No. Just for our purposes, is it fair to say, sir, that as  
22 of the period between the 15th and the 31st—I didn't want to  
23 interrupt you—BlockFi has now loaned 267 million to Alameda,  
24 correct?

25 A. Yes. So we—we've increased from the other credit memo

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Prince - Cross

1 that I just looked at.

2 Q. And now this credit memo is considering the request to make  
3 a further loan, correct?

4 A. Correct.

5 Q. Up to the \$1 billion limit we were talking about in  
6 connection with the last memo.

7 A. Well, this specific request is asking for a new loan of  
8 approximately 470 million and the current loan size was 267, so  
9 it doesn't get you all the way up to a billion, but you're at  
10 730 million.

11 Q. Even I can follow that math.

12 Okay. So it's asking for an additional 470 million,  
13 sir.

14 MR. COHEN: If you could go to the last page, Brian.  
15 And go to the bottom, pull out "Summary of  
16 underwriting challenges."

17 Q. Now we don't need to go through them again. Is it fair to  
18 say, Mr. Prince, these are the same challenges that the team  
19 had flagged for you and the board the previous, you know—about  
20 two weeks earlier?

21 A. Yeah. Without reading it word for word, it looks like it's  
22 the same ones.

23 Q. Okay. And then go up to the top of this document. It says  
24 Approval Challenges/Recommendations. Do you see that, sir?

25 A. I do.

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Prince - Cross

1 MR. COHEN: And if you—Brian, if you could highlight  
2 the first two sentences.

3 Q. "Credit team recommends not to approve this trade because  
4 it increases our exposure to FTT collateral which is already  
5 very significant (we hold 367 million FTT collateral). We do  
6 not recommend increasing our exposure to FTT collateral." Do  
7 you see that, Mr. Prince?

8 A. I see that.

9 Q. So the team is telling you and other executives, their  
10 recommendation is not to go forward.

11 A. A part of the risk management team that produced this memo  
12 was saying that. I wouldn't—that wasn't the whole team's  
13 view, but the authors of this, that was their view, at the  
14 time.

15 Q. The authors of this credit memo, that was their view.

16 A. Correct.

17 Q. That's the view they took of the risk of increasing a loan,  
18 correct?

19 A. Correct.

20 MR. ROOS: Objection. Asked and answered.

21 Q. Now did in fact the loan get made?

22 A. This loan; no, this loan did not get made.

23 Q. Did additional loans get made above the 267 amount?

24 A. Additional loans were made, but I think there's—there's  
25 two important things about those that I'd like to highlight, if

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Prince - Cross

1 I can.

2 Q. Sure.

3 A. One is that if we go to the—back to the beginning of this  
4 doc, the, you know, the request that's being discussed in this  
5 credit memo is with 110 percent collateralization level. So if  
6 we lent them a hundred dollars, they would post 110 worth of  
7 collateral. The incremental loans that got made were at much  
8 higher collateral levels than that. So the amount of  
9 collateral that we required them to post as we were increasing  
10 the lending was substantially higher than what's talked about  
11 in this credit memo.

12 Q. Fair enough. From the time—

13 A. Additionally—

14 Q. I'm sorry.

15 A. —the other point I wanted to make was that the loans at  
16 this time that were made were all paid back, in June of 2022.

17 Q. Mr. Prince, is it fair to say that from time to time the  
18 credit team would take a different view of risk than you might,  
19 or the executive committee might?

20 A. Yeah, I think it's—that's—that's fair to say. It's also  
21 fair to say that it—I think you're—I think you're not running  
22 a good risk organization if you don't facilitate—if you don't  
23 have disagreements. If you're not having any disagreements,  
24 then people aren't talking about things. So, you know, there  
25 were times where people had different views at all different

NAD1BAN3

Prince - Cross

1 levels of the decision matrix, and those views were, you know,  
2 discussed and evaluated and decisions were made.

3 Q. So you could form different business judgments, correct?

4 A. Sure.

5 Q. And you and the executive committee could decide as a  
6 matter of business judgment that these loans were worth  
7 continuing with even if the credit team had reservations?

8 A. Yes.

9 Q. And that's what happened here.

10 A. No. I already—I already told you what happened here.  
11 What happened here is, this credit memo is—is for a loan with  
12 110 percent collateral. That loan was not made.

13 Q. But—and I don't want to belabor this—later loans were  
14 made, correct?

15 A. Yes, but this, you know—you're showing me a credit memo  
16 where they're saying "we recommend not making this loan," and  
17 I'm telling you we did not make this loan.

18 MR. COHEN: Now we can take this one down, Brian.

19 Can we call up Defense Exhibit 815 for identification,  
20 just for the witness.

21 Q. Before you look at it, let me just ask you a few questions,  
22 Mr. Prince.

23 MR. ROOS: If it's helpful, no objection.

24 MR. COHEN: Okay, fine.

25 THE COURT: It's received.



NAD1BAN3

Prince - Cross

1 MR. COHEN: Thank you.

2 (Defendant's Exhibit 815 received in evidence)

3 Q. So Mr. Prince, is this the amended and restated master loan  
4 agreement dated January 26, 2022, between BlockFi International  
5 and Alameda Research?

6 A. Based on what I'm seeing, I believe it is.

7 Q. Okay. If you're not comfortable and you want to go through  
8 it, we can let you go through it, sir.

9 A. I mean—

10 Q. I can give you a hard—a hard copy if that would be easier.

11 A. Assuming this is, you know, the loan agreement that was  
12 provided through to, you know, in discovery by our legal teams,  
13 then yes, I'm comfortable saying.

14 Q. And if we could turn—well, before I do that, can you  
15 explain to the jury what a master loan agreement is.

16 A. Sure. So we would frequently enter into master loan  
17 agreements with institutional counterparties, and the master  
18 loan agreement would be like a—like an overarching agreement  
19 that would govern all of the subsequent transactions which  
20 could typically be done with much shorter agreements. So you'd  
21 have this master loan agreement, which was a universal  
22 agreement, and then let's say an institutional counterparty  
23 did, you know, ten loans throughout the course of the year;  
24 each of those subsequent loans would have, you know, either a,  
25 like a one-page term sheet that got signed or a trade confirm

NAD1BAN3

Prince - Cross

1 or something else, but it basically was a master agreement that  
2 enabled you to do ongoing transactions with a counterparty  
3 with—without having to do a big agreement every time you  
4 wanted to do one incremental loan.

5 Q. Right. So the idea was if you had a counterparty, a  
6 borrower who you thought you might do a number of loans with,  
7 you didn't have to do a new agreement every time.

8 A. That's right.

9 Q. Can you take a look, Mr. Prince, at page—

10 MR. COHEN: Brian, 92485.

11 Q. Okay. And you see it's signed for BlockFi international by  
12 David Olsson. Who was he?

13 A. David Olsson was a senior vice president on our  
14 institutional—our institutional client coverage team.

15 Q. Okay. And it was signed for Alameda by Caroline Ellison as  
16 co-CEO. Do you see that, sir?

17 A. Yes, I see that.

18 Q. Okay. Now if we could turn to page 92462.

19 MR. COHEN: And if you could call out, under Loan  
20 Procedure, Brian, the paragraph underneath that that begins,  
21 "Unless parties agree." Or you could bring the whole thing up  
22 through the subbubble. Keep going below. Yeah.

23 Q. And just very quickly, Mr. Prince, is this a summary of the  
24 process you were just describing for taking down individual  
25 loans?

NAD1BAN3

Prince - Cross

1 A. Yeah. I mean, it seems like this—without having read this  
2 whole thing, the—this is the section of the agreement where  
3 it's talking about the procedure for getting a new loan within  
4 the master loan agreement.

5 Q. So BlockFi would discuss with Alameda what type of loan it  
6 was going to be—the amount it was going to be for?

7 THE COURT: Mr. Cohen, the witness just said he hadn't  
8 read the whole thing.

9 MR. COHEN: Sorry, your Honor.

10 THE COURT: And the jury has the document. So let's  
11 move along.

12 MR. COHEN: Okay. Okay.

13 Then I think we might move along from this document.  
14 All right. Let's take it down.

15 Okay. Now I don't think we need a document to do  
16 this.

17 BY MR. COHEN:

18 Q. Mr. Prince, do you recall giving testimony about the period  
19 in November 2022 and the relationship between BlockFi and  
20 Alameda?

21 A. I assume you're referring to like testimony here?

22 Q. Yeah, today.

23 A. Yeah, I do.

24 Q. Okay. And I want to narrow it. Do you recall you talked  
25 to us earlier this morning about an entity called Robinhood?

NAD1BAN3

Prince - Cross

1 A. Yeah, I mentioned that in November there was a—a pledge,  
2 additional pledges of collateral to BlockFi and that part of  
3 that additional collateral that was pledged in November  
4 included Robinhood shares.

5 Q. So this was additional collateral that Alameda was pledging  
6 to BlockFi to secure its loan, correct?

7 A. Correct.

8 Q. Did you know who owned the Robinhood shares?

9 A. I'm not—I'm not sure, you know, I—I don't believe that I,  
10 at the time that the Robinhood shares were pledged, understood  
11 some of the nuance that I've now become aware of in terms of  
12 what entity the Robinhood shares were held in. That being  
13 said—

14 Q. I'm interested in your recollection at the time, sir.

15 A. My recollection at the time was that Alameda was posting  
16 shares to secure the loans that BlockFi had made to it.

17 Q. Okay. And that was being done by Caroline Ellison as CEO  
18 of Alameda at the time?

19 A. At—my understanding was that it was, you know, Caroline  
20 who signed the doc but at Sam's instruction, so I was messaging  
21 and emailing with Sam at the time.

22 Q. And however that went down, those Robinhood shares were  
23 part of what was being put out as collateral for Alameda,  
24 correct?

25 MR. ROOS: Asked and answered.

NAD1BAN3

Prince - Cross

1 THE COURT: Sustained.

2 Q. Now Mr. Prince, you testified that there came a time, I  
3 think it was in the summer of 2022, that BlockFi ended up  
4 receiving a loan from FTX.US. Do you recall that?

5 A. Yes.

6 Q. Okay. And I think you said that what had happened was  
7 there was stress in the market, correct?

8 A. Yes.

9 Q. Other lenders, like Voyager, Genesis, were having problems?

10 MR. ROOS: Objection. Cumulative. This is the  
11 direct.

12 THE COURT: Sustained.

13 Q. Tell us why BlockFi reached out to FTX and ultimately got  
14 the—FTX.US and ultimately got the loan.

15 MR. ROOS: Same objection.

16 THE COURT: You're just repeating. You're asking him  
17 to repeat, right?

18 MR. COHEN: Well, I have a question that I think I  
19 need to ask this so I can set up the question, your Honor.

20 THE COURT: Go ahead.

21 A. BlockFi made—BlockFi made the decision that we were  
22 interested in bringing additional capital into the business,  
23 and that we thought if there was an option to do that, that  
24 that would be the right thing to do for the business. So, you  
25 know, we ran—we ran a process where we reached out to

NAD1BAN3

Prince - Cross

1 investors, you know, other crypto firms to see what capital we  
2 could potentially raise and at what terms.

3 Q. Were you concerned at the time, Mr. Prince, that BlockFi  
4 might go bankrupt?

5 A. I think that—I think that the range of my concerns as CEO  
6 of BlockFi pretty much always included everything from, you  
7 know, complete failure to extreme success, and part of the job  
8 of CEO I think is to be evaluating decisions that you're making  
9 within the context of the spectrum of things that could happen  
10 to a company.

11 Q. But you had no specific concern in the summer of 2022 that  
12 you might go bankrupt.

13 A. Well, we certainly had—we certainly had a lot of eyes,  
14 very capable, professionals inside and outside the firm that  
15 were looking at the company's position, and there was never,  
16 you know—we always viewed the business as being solvent and  
17 operational, and in fact, throughout that period of time, we  
18 operated the same as we had in less volatile market times.

19 Q. So you operated, you continued to pay your debts, you  
20 considered to have positive assets, correct?

21 A. That's correct.

22 Q. But you felt the need to take in this capital, correct?

23 A. I don't know that I would use the word "need," but we  
24 decided that it was better for the business to do this  
25 transaction than for the business to not do the transaction.

NAD1BAN3

Prince - Redirect

1 Q. And you looked at various options, correct?

2 A. Yes, we evaluated other options.

3 Q. And you felt that the 400 million being offered by FTX.US  
4 was the best option.

5 A. We looked at the entirety of it, of the transaction. So  
6 there was a loan component to the transaction and there was a  
7 acquisition component to the transaction.

8 MR. COHEN: One moment.

9 Mr. Prince, I just want to thank you for your time.  
10 We have nothing further.

11 THE COURT: Thank you.

12 Any redirect?

13 MR. ROOS: I think just one or two questions.

14 Could we pull up Defense Exhibit 816. And we can flip  
15 through this to the page where it mentions wrong way risk.

16 REDIRECT EXAMINATION

17 BY MR. ROOS:

18 Q. And Mr. Prince, you were asked a question on  
19 cross-examination about wrong way risk with respect to FTX. I  
20 just want to be clear. Did this memo here refer to wrong way  
21 risk about FTX or about Alameda or something else?

22 A. Well, you know, what it's saying is that the loan—making a  
23 loan to Alameda with FTT collateral, in our—in our team's  
24 view, presented a wrong way risk. That transaction had wrong  
25 way risk associated with it.

NAD1BAN3

Prince - Redirect

1 Q. And transaction with Alameda or FTX?

2 A. Well, what we were contemplating here was loans to Alameda.

3 Q. Okay. And you testified about overcollateralized loans.

4 Why would you overcollateralize a loan that involved FTT?

5 A. Well, you're always—in general, when you're taking  
6 collateral for a loan, you're trying to reduce your risk  
7 associated with that loan, and so the more collateral you take,  
8 the less risk you have, generally speaking.

9 Q. And you were asked some questions about risk at the end of  
10 cross-examination, including about your bankruptcy risk in the  
11 summer of 2022. Why did you go into bankruptcy in November  
12 2022?

13 MR. COHEN: Objection.

14 THE COURT: What's the objection?

15 MR. COHEN: It relates to the prior motion practice in  
16 the case, your Honor.

17 MR. ROOS: I'm asking about his bankruptcy.

18 THE COURT: I don't understand what that's all about.  
19 Is there something else you want to say?

20 MR. COHEN: No. Just, it was briefed before. I don't  
21 think we need to discuss it again.

22 THE COURT: Well, I don't think it was briefed before.  
23 Overruled.

24 THE WITNESS: I'm sorry, Nick. Could you say the  
25 question again, please.



NAD1BAN3

Prince - Recross

1 MR. ROOS: Sure.

2 BY MR. ROOS:

3 Q. The end of the question was: Why did you go into  
4 bankruptcy in November 2022?

5 A. Sure. Well, I mean, the—once—once our view became that  
6 the Alameda loans and assets that we had at FTX weren't going  
7 to be either repaid or accessible, then we did not have a view  
8 that the business was solvent and therefore we engaged with  
9 professionals and proceeded towards a bankruptcy filing.

10 MR. ROOS: No further questions.

11 THE COURT: Thank you.

12 Anything else, Mr. Cohen?

13 MR. COHEN: Yes, your Honor.

14 RECROSS EXAMINATION

15 BY MR. COHEN:

16 Q. Mr. Prince, are you saying that the sole reason BlockFi  
17 went into bankruptcy was the Alameda loans?

18 A. I don't—I mean, let me try and say it a different way. I  
19 just want to be careful with—with language. If—I don't think  
20 BlockFi would have filed for bankruptcy in November of 2022 if  
21 the Alameda loans were still in good standing and the funds we  
22 had at FTX were accessible. I do not think, in a scenario  
23 where those two things were not impaired, that the company  
24 would have needed to file for bankruptcy.

25 Q. But it might have had to file later, correct?

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Prince - Recross

1 MR. ROOS: Objection. Calls for speculation.

2 THE COURT: Sustained.

3 MR. COHEN: That's all I have.

4 THE COURT: Thank you.

5 Mr. Roos, anything else?

6 MR. ROOS: No, your Honor. Thank you.

7 THE COURT: Mr. Prince, thank you. You're excused.

8 (Witness excused)

9 THE COURT: Members of the jury, have a great weekend.

10 9:30, Monday morning.

11 Counsel, remain for a minute, please.

12 (Continued on next page)

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(Jury not present)

THE COURT: Be seated, folks.

Who are the witnesses to follow next week?

MR. ROOS: So because we didn't get to two today, we have to figure out a revised order, but I'll give your Honor the next seven or eight.

So the two that were supposed to be today, Dekel and Busick, and then Nishad Singh, Ramnik Arora, Delaney Ornelas Tareq Morad.

THE COURT: After Ramnik Arora, who were the two?

MR. ROOS: Delaney Ornelas.

THE COURT: That's—

MR. ROOS: Delaney is the first name.

THE COURT: Okay. Thanks.

MR. ROOS: And Ornelas is the last name.

THE COURT: Okay.

MR. ROOS: And Tareq, T-A-R-E-Q, Morad, M-O-R-A-D.

THE COURT: Okay. And in broad strokes, some, of course, I recognize. I recognize Nishad Singh, I recognize Arora. Who are the rest of them?

MR. ROOS: Sure. So Delaney Ornelas was an Alameda employee involved in banking; Tareq Morad and Dekel, who was supposed to be on today, are both FTX customers; Busick is an FBI agent who would testify about historical cell site analysis.

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1 THE COURT: Okay. When does the government expect to  
2 rest?

3 MR. ROOS: So I think, your Honor, that we still  
4 remain on the pace that Ms. Sassoon advised you of a few days  
5 ago. I think the vast majority of the government's case will  
6 conclude next week. There are I think maybe two or three folks  
7 that we have set for the 26th. I think there's a real  
8 possibility that right after our break we would put those folks  
9 on and rest. So sort of in the middle of our short week, our  
10 two-day week.

11 THE COURT: Right. I understand. Okay.

12 MR. ROOS: So I would just say, for defense planning  
13 purposes, I think it's possible that the defense case would  
14 begin, if there is one, as soon as, say, afternoon of that  
15 Thursday, the 26th.

16 THE COURT: Okay.

17 MR. COHEN: Your Honor, for planning purposes, could  
18 we know the order of the witnesses that counsel just  
19 identified.

20 MR. ROOS: Yes. We will let them—we'll give them a  
21 list of everyone we think for next week and we'll also give  
22 them at least the beginning of that order so they can plan for  
23 Monday and Tuesday.

24 THE COURT: Okay. Anything else we need to do today?

25 MR. ROOS: There's one thing, your Honor, which is, I

NAD1BAN3

1 think there may be some disputes over the admissibility of a  
2 few things or lines of cross over the first few witnesses. I  
3 think the parties are going to try to work those out, but we  
4 may have to put a letter in to your Honor. We'll try not to  
5 burden you with more than one.

6 I think in terms of the—one of the witnesses who was  
7 going to go today, Ms. Kudla has an issue she just wanted to  
8 raise.

9 MS. KUDLA: Your Honor, there are just a few minor  
10 evidentiary issues that, if we can handle them now, it would  
11 make on Monday the efficiency go very smoothly, so if there's  
12 any exhibits that have to be changed, we do them now over the  
13 weekend and we can get the witness on and no sidebars.

14 THE COURT: Well, let's see if we can do it in five  
15 minutes.

16 MS. KUDLA: And your Honor, I think it will be helpful  
17 if you had the witness binder with some of the exhibits.

18 THE COURT: Thank you.

19 MS. KUDLA: So your Honor, these exhibits relate to  
20 Rich Busick, who's a cell site analyst, and I'll allow  
21 Mr. Everdell to raise the objections to the exhibits that he  
22 would like to raise.

23 MR. EVERDELL: Thank you, your Honor.

24 So my understanding, your Honor, is that these emails  
25 and invites that are government exhibits, the ones in your

NAD1BAN3

1 binder, they relate to the cell site analysis. I believe the  
2 government is going to try to show that on the dates of the  
3 emails and of the calendar invites, that they relate to when  
4 the defendant's cellphone is in New York and having phone calls  
5 I guess for purposes of venue. However, I think some of  
6 them—I have relevancy and hearsay objections to a few of them.  
7 Not to the first few, but Government's 282—282, 287, and 290,  
8 291, I think you should consider those first.

9 Starting with 282, this appears to be a calendar  
10 invite for an invitation, it looks like, for a photo shoot for  
11 a *Forbes* story on September 9th of 2021. Don't see how this is  
12 relevant to the issues in the case. Some of these others I  
13 understand, because they are meetings with investors or  
14 meetings with other people, but this one, I don't necessarily  
15 see the relevance of this one.

16 THE COURT: Ms. Kudla, quickly.

17 MS. KUDLA: Your Honor, the *Forbes* article is already  
18 in evidence, and it's been presented as evidence of the  
19 defendant's public image that he was cultivating. And it's  
20 part of the marketing and revenue for FTX.

21 THE COURT: Yes. But if you've got the magazine in  
22 already, why do you need an email inviting him to show up for  
23 the photograph?

24 MS. KUDLA: Your Honor, that occurred here in New  
25 York. These are related to venue. These are all public events

NAD1BAN3

1 that occurred in Manhattan.

2 THE COURT: Okay. That will come in. Unless you're  
3 conceding venue.

4 MR. EVERDELL: Oh, we're not, your Honor.

5 THE COURT: Okay.

6 MR. EVERDELL: Your Honor, 287, this one is the invite  
7 for dinner with the Mayor. Don't see how that's relevant for  
8 the case.

9 THE COURT: Same thing, right?

10 MS. KUDLA: Same thing, and he also publicly tweeted  
11 about that in Government Exhibit 873.

12 THE COURT: Same ruling.

13 MR. EVERDELL: I believe we have an agreement on  
14 290—is that correct?—with the government, that can come out?

15 MS. KUDLA: That is correct, yes. 290 is correct.

16 THE COURT: What do you mean it's correct?

17 MS. KUDLA: Your Honor, we have an agreement. The  
18 government is removing—

19 THE COURT: Okay. So we're crossing that off the  
20 list.

21 MS. KUDLA: It's 289, Mr. Everdell, that we have the  
22 agreement on.

23 MR. EVERDELL: I'm sorry.

24 THE COURT: So somebody please tell me whether we  
25 still have a dispute over 290 or not.

NAD1BAN3

1 MS. KUDLA: Over 290, the answer is up to  
2 Mr. Everdell. That relates to an investor meeting.

3 MR. EVERDELL: Got it. That was FTX.US related?

4 MS. KUDLA: It's 289, Mr. Everdell.

5 THE COURT: Okay. We're not doing this now. You work  
6 it out.

7 Okay. Thank you.

8 THE DEPUTY CLERK: All rise.

9 (Adjourned to October 16, 2023, at 9:30 a.m.)

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